

# City of Yakima

WASHINGTON

## 2005

### Budget Forecast



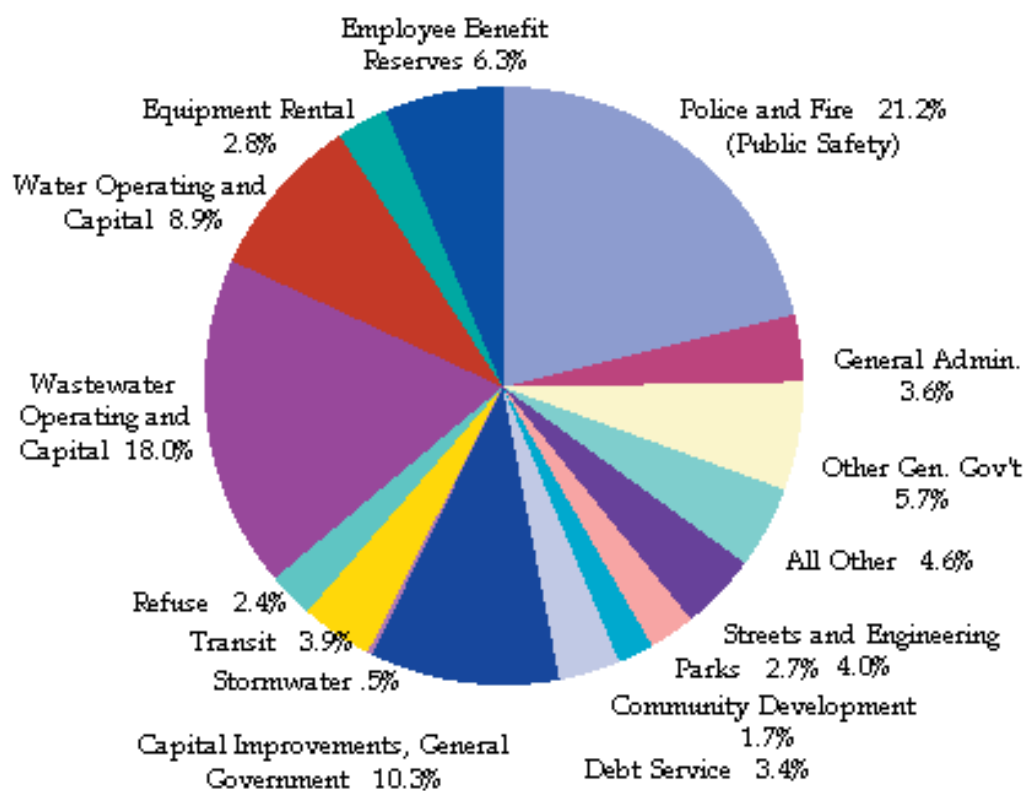
**The Harman Center at Gailleon Park**

**Dedicated May 8, 2004**

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# City of Yakima



**2005 Preliminary Budget**  
**\$144 Million**



## **CITY OF YAKIMA MISSION AND VISION STATEMENTS**

The City of Yakima's goals and objectives are clearly emphasized in the Mission and Vision Statements as amended on February 17, 2004.

The mission of the City of Yakima is to govern responsively with leadership that is committed to: enhancing the quality of life; continually improving services; and embracing the diversity of our community.

The vision for the City of Yakima is to: build a modern responsive government; provide cooperative, diverse leadership; promote a regional approach to services; focus on improving public infrastructure; and act as a catalyst for economic development.

The following Critical/Strategic Priorities are an extension of the Mission and Vision for the City of Yakima.

**2004  
YAKIMA CITY COUNCIL  
STRATEGIC DIRECTION PRIORITIES**

- **Community Image**

Build, sustain and strengthen the City's public image as a clean, safe, attractive and progressive community which is respected as a desirable place to live and work.

- **Economic Improvement**

Promote, stimulate and foster economic improvements, investments, partnerships and job creation to revitalize our economy, maintain fiscal stability and enhance our prosperity for the future.

- **Regional Government Services**

Lead, pursue and encourage opportunities for greater regionalization and coordination of public services and intergovernmental cooperation which best serves all citizens.

- **Increased Community Involvement**

Improve and strengthen community involvement, citizen participation and the understanding and trust of City government through proactive communications, responsive actions and effective public relations/ education programs.

# City of Yakima

## 2005 Budget Forecast

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#### Cover

Harman Center at Gailleon Park  
Donated by the Harman Foundation  
Dedicated May 8, 2004  
Land donated by the David Clevenger Family - 1970

## MEMORANDUM

October 12, 2004

To: The Honorable Mayor and  
Members of the City Council

From: Dick Zais, City Manager  
Rita M. Anson, Finance Director  
Cindy Epperson, Financial Services Manager

Subject: 2005 Budget Forecast

### I-A. INTRODUCTION:

**We are pleased to present to the City Council and to the citizens of the City of Yakima the 2005 Budget Forecast. The total proposed 2005 budget for the City is 1% less than the 2004 amended budget. It is lean, fiscally conservative and balanced within existing resources without any new general-purpose taxes.**

Preparing the annual budget has become a very difficult and arduous task because current resources continue to fall short of the demands for City services. Additionally, for several years the City has faced ongoing increases in unfunded mandates, public safety/ criminal justice services, and higher personnel/benefit costs; together with a rising tide of private sector costs for oil and fuel, utilities, insurance, technology, equipment and health care. The 2005 proposed General Government budget includes \$1.6 million in these increased costs over the 2004 amended budget as well as the annualized impact of adding 9 new Firefighter positions in the mid-year 2004 budget to provide full-time fire protection services to the newly annexed area of West Valley. (Refer to Table III-9 in Section III).

To help offset most of the above increases, stay within existing resources, avoid new taxes and maintain minimum reserves, City management cut and saved approximately \$1.2 million in the 2005 General Government budget utilizing several portions of the City's

Contingency Budget Reduction Plan. These include a reduction of nearly \$500,000 in vacant staff positions (10 FTEs) and decreases of approximately \$700,000 in maintenance programs, equipment, vehicle replacements, overtime, industrial insurance, professional services, and the library. These budget reductions have been made in an effort to protect and preserve the City's basic, core, essential services required by our citizens. However, it should be noted that these expenditure decreases will reduce the City's ability to continue to provide the same level of services in many departments in the future.

The City's workforce has continuously been asked to sacrifice and do more with less; they have shown great resourcefulness, innovation and resiliency over the past several years in responding to the City's fiscal challenges. However, continued diminished resources restricts our ability to fully provide the services needed and demanded by our citizens.

Accordingly, the 2005 General Government budget is only .4% greater than the 2004 amended budget (see chart below). And the total City-wide 2005 proposed budget is approximately 1.1% less than the 2004 amended budget (see chart next page).

### **General Government Expenditure Overview**

	2004 Year-end Estimates	2004 Amended Budget	2005 Budget	2005 Increase / (Decrease) over 2004 Budget
General Government	\$47,650,800	\$48,395,133	\$48,599,809	0.4%

- 2005 General Government budget is approximately \$48.6 million, compared to the 2004 budget of approximately \$48.4 million (only a .4% increase; significantly less than the rate of inflation). This minimal increase is primarily due to strict cost containment measures by City Management implemented to absorb increases in fixed, mandated and contractual obligations for 2005, to ensure expenses stay within existing resources and to maintain adequate reserves.
- 2004 General Government Year-end expenditure estimate of \$47,650,800; is approximately 1.5% below the amended budget of \$48,395,133.

### **Citywide Expenditure Overview**

	2004 Year-end Estimates	2004 Amended Budget	2005 Budget	2005 Increase / (Decrease) over 2004 Budget
Total Citywide Expenditures	\$132,090,705	\$145,812,036	\$144,183,812	(1.1%)

- Total 2005 Proposed Citywide budget is approximately \$144 million or 1.1% less than the 2004 amended budget of \$146 million.
- 2004 Year-end expenditure estimate of \$132,090,705 is approximately 9.4% below the amended budget of \$145,812,036. In addition to strict spending controls, this savings is primarily due to the deferral of some capital projects that will not be completed by year-end.

(Refer to Exhibit I for budget information on each of the City's funds.)

### **2005 BUDGET - FISCAL OBJECTIVES**

The City Council's Mission, Vision, and Strategic Priorities governed the preparation of the 2005 budget. This is the basis upon which fiscal plans and strategies for the new budget were developed. The City's Mission, Vision and Strategic Priorities were updated in July 2004 by the City Council. (Refer to Exhibit II for a complete updated list.)

The 2005 budget addresses Council's priorities and objectives and:

- 1) Presents a balanced spending plan for operating and capital budgets that follows municipal service levels and priorities set by the City Council and is in compliance with budget guidelines issued by City Management.
- 2) Preserves minimum operating cash flow reserves and allocates necessary funds for non-discretionary fixed, mandated and contractual costs.
- 3) Includes cost reductions and operational efficiencies to offset potential revenue shortfalls and maintain a balanced budget.
- 4) Incorporates the City's Six-Year Capital Facilities Plan for Utilities, Streets, Parks, Public Safety, and Community and Economic Development projects.



## **THE FUTURE OUTLOOK**

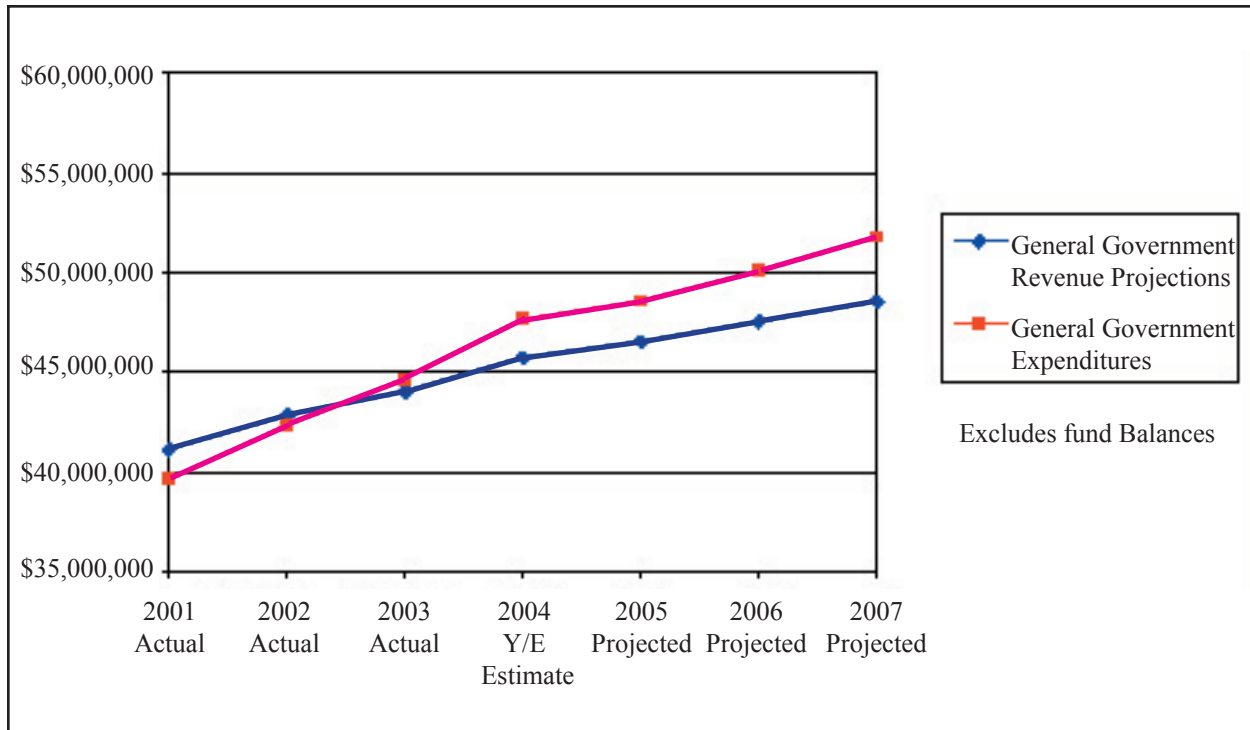
While the 2005 Budget Forecast is balanced within existing resources, as required by law, the City will continue to be fiscally challenged in our ability to provide basic, core and essential services to our citizens within current revenues.

The on-going depressed state of the local economy, which places increased pressure and demands for City services, coupled with continued restrictions in revenue growth from previously approved voter initiatives seriously limit the City's ability to continue to provide essential services into the future. The situation is further compounded by the expansion in new and existing unfunded mandates and contractual responsibilities and rising private sector expenses that continue to increase the City's operating costs, (examples include: criminal justice, property and liability insurance, and environmental regulations, health care, financial reporting requirements, equipment and higher labor, fuel and utility costs). These factors significantly affect the future financial stability of the City's General Government funds. The following charts depict the impact on the City's fiscal resources that these factors have had in the past few years and that they could have in the future, over the next three years, should no corrective action be taken.

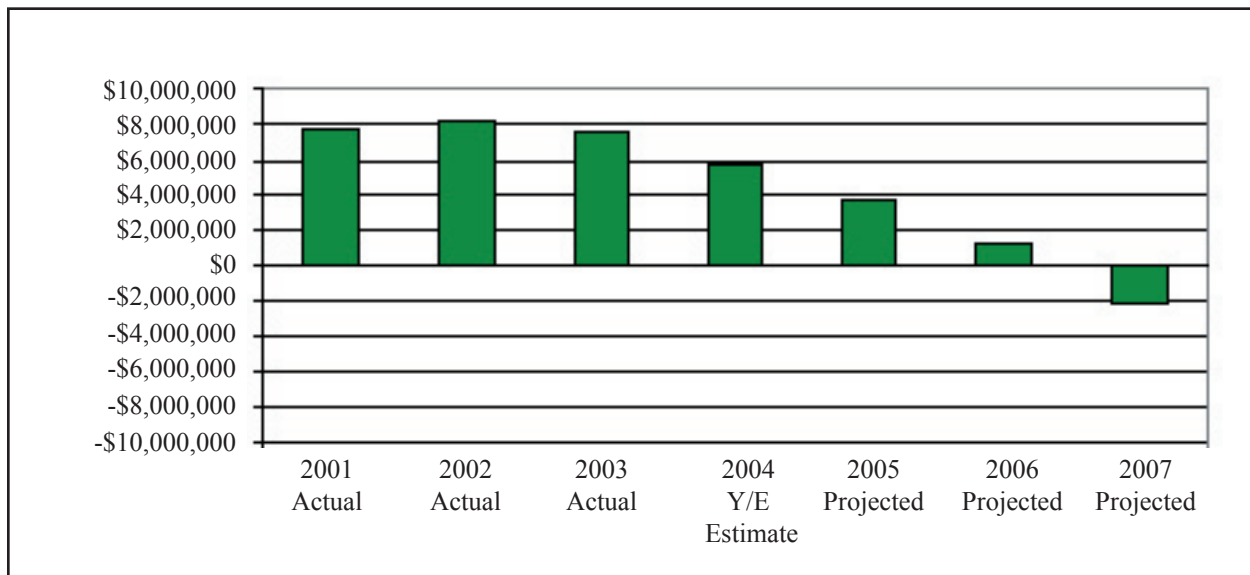
City of Yakima

## General Government - Expenditures and Resources: History/Projection

### 2005 - 2007 Forecast



### Ending Fund Balance



Assumptions underlying the charted projections on the previous page:

- Inflation, and expenditure increases not tied to inflation, will increase the City's current costs by 3.5% annually over the next three years. (Examples of expenditures not tied to inflation include unfunded mandates and labor settlements that require binding arbitration with comparability mandates.)
- Property Tax Revenues limited to a maximum increase of 1% annually (per I-747) and 1% growth.
- General Government revenue growth limited to 2% per year over the next three years.
- In order to identify the fiscal impacts these factors would have on the City if left unchecked, this scenario assumes no action is taken to offset the above impacts on revenues and expenditures, even though the City is required by law to maintain a balanced annual budget.

#### Future Outlook Summary

You'll note on the above charts, that in both 2003 and 2004, the City has had to rely on reserves to cover expenditures (i.e.: expenditures have exceeded revenues). Without intervention, this situation is predicted to continue into the future, as depicted in the 2005 through 2007 projections.

The impact of increased costs and reduced / restricted revenues becomes greater over time. As a result, in the absence of expenditure reductions in basic services, the City would need to utilize a greater portion of the general government reserves each year to pay for existing services. (The City's reserves have been built up over time and once they are spent, this funding source is gone.) The City has tried to maintain General Government reserves at not less than 7% (i.e.: an amount approximately equivalent to one month's operating costs) to ensure that sufficient funding is available to cover unexpected expenditures and/or emergencies, including unanticipated revenue shortfalls.

(Again, this conclusion reflects the forecasted outcome of the above-described situation in the event that no action is taken to reduce costs or increase revenues. Obviously, the City would, in fact, take the necessary actions to prevent a negative balance from occurring.)

The City's fiscal situation is not unique; most cities in the State of Washington are in a similar financial situation. However, the primary difference between Yakima and many cities on the other side of the state is that Yakima has been struggling with and addressing these challenges for a number of years, while the west side of the state only began experiencing and dealing with a significant downturn in their local economy over the past couple of years. They, too, are now beginning to address this dilemma.

### Economic Development and Growth

Current City revenues do not keep pace with inflation and unfunded mandates. In order for the City to continue to provide the existing level of basic and essential services, growth must occur, allowing for an expansion of the tax base, or taxes and/or charges for services would need to increase.

Due to the high unemployment levels in the Yakima area combined with annual incomes that average well below the national average, significant new tax increases are undesirable and burdensome. Therefore, growth is the preferred method for funding the increasing costs of existing services and unfunded mandates; but at some point in time additional new resources will be needed to avoid major service disruptions.

The City has made a strong commitment to assisting the private sector in re-vitalizing the local economy through supporting economic development, spurring growth, promoting tourism and by investing millions of dollars in the local economy. The city has been very successful in many of these areas.

### Recent Revenue Enhancements

Following is a list of Non-Tax Revenue Enhancements pursued over the last three to five years in an effort to infuse money from outside the area into the local economy and to minimize the burden on the local taxpayers.

- Received State and Federal Grants of about \$55 million to help finance needed improvements in City streets, City parks, economic development, railroad grade separation, telecommunications infrastructure and wiring, upgrade of traffic signals, public safety, water quality, transportation, etc.
- Received the Federal designation of "Renewal Community" which encourages economic development by providing tax incentives for creating jobs in Yakima.

- Enhanced the tourism industry by:
  - 1) Expanded the Convention Center; funded by a state sales tax credit (i.e. no new taxes to our community.),
  - 2) Obtained grants to build the “Gateway to Washington Wine Country” visitor center,
  - 3) Contributed a large portion of the funding needed for the recent expansion of the SunDome to continue and increase the draw of amateur sports tournaments to Yakima, and
  - 4) Partnered with the lodging industry to establish a Tourist Promotion Area to promote Yakima as a tourism destination.
- Developed Public/Private partnerships for economic development, Examples include:

Participated in Yakima County’s “Supporting Investment in Economic Development (SIED)” program to develop infrastructure for new business.

Established a Housing and Urban Development (HUD) Section 108 loan program for job creation in the targeted area (primarily east of 16th Ave.).

Work closely with New Vision to provide assistance to local industry, help recruit new business and create jobs in Yakima. In 2004, with the assistance of New Vision and the City, as well as others in the community, two new businesses were attracted to the area (1) Adaptis, a medical claims processing company expects to create 50 jobs in the first year, and at least 150 over the next five years and (2) Pre-Clarant, a technical support and sales call center, with 125 employees.

### City Investments

- Investments in Community: Over the past few years the City has made several significant investments in the local economy. The City provided nearly \$7 million dollars to expand the Yakima Convention Center and over \$350,000 in construction support for the Yakima Valley Visitor’s Center (construction was completed on both of these projects in 2003). The City also provided approximately \$1.4 million to the County in support of Phase I of the SunDome expansion project, which was largely completed in 2004.

- Investments in Infrastructure: The City has plans for several significant multi-million dollar construction projects over the next several years, including: over \$12 million for wastewater capital projects; \$9 million for water capital projects; \$10 million for the irrigation rebuild project; \$25 million for the railroad underpass project; and over \$12 million in several currently funded street projects.

The City's future projects represent nearly \$70 million of investment over the next five years! The magnitude of these investments will provide a substantial economic boost to the local economy -- creating jobs and stimulating growth.

### Annexation

Simultaneously, the City is trying to spur growth via another avenue – annexation. However, the City's efforts in this area were slowed significantly over the past few years awaiting a ruling from the State Supreme Court addressing a challenge to the City's method of annexation. The City of Yakima, as well as most cities across the state, has utilized the petition method of annexation for approximately 50 years. In 2004 the State Supreme Court issued a unanimous decision stating that the petition method of annexation is, in fact, constitutional and that cities may continue to annex in this manner. Based on this ruling, the City of Yakima is again pursuing annexation opportunities.

### Tourism

The City has also made a strong commitment to tourism, which brings dollars from outside the area into the Yakima Valley. In 2003, two major projects which support tourism were completed, the Yakima Convention Center expansion and the Yakima Visitors Center. In 2004, Phase I of the expansion to the Yakima Valley Sun Dome was completed, adding additional locker rooms and hundreds of additional seats to this conference and sports facility. Additionally, the City partnered with business leaders, sports enthusiasts, service clubs and local citizens to acquire land and construct a new sports complex at Kiwanis Park in Southeast Yakima. The objective of the sports park is to construct a quality, state-of-the-art facility, which will be a regionally competitive sports park for tournaments, local youth and adult softball league play, together with promoting tourism and economic development through public/private partnerships. Recently, the lodging industry petitioned the City to establish a Tourist Promotion Area to be funded by a fixed assessment per room night. These assessments are earmarked to be used exclusively to promote Yakima as a tourism destination.

## **Contingency Budget Reduction Plan**

The City is investing heavily in the community and is promoting and stimulating growth and economic development through numerous and varied projects. However, these efforts alone may not be sufficient to offset the combined effects of declining and restricted revenue growth, voter approved elimination / reduction of revenues and the higher costs of meeting existing and new mandated and contractual obligations. The negative effects of all of these factors could impair the City's ability to sustain the current level of essential, basic City services in the near future.

In light of these issues, staff has prepared for the possibility that a significant reduction in current expenditures may be necessary in the near future. In early 2004, Department Directors were requested to review their current budgets and prepare a contingency budget reduction plan which would identify, in their recommended order of priority, what expenditures to eliminate from their budgets should additional budget reductions be required. Each department was assigned a target amount by which to reduce their budgets. These target amounts were set based primarily on legally mandated responsibilities and Council priorities.

Staff has worked diligently over the past few years to reduce expenditures and has identified and implemented numerous operational changes in an effort to improve efficiency and effectiveness of limited and declining resources. Given the budget constraints of the past several years, there are no more small, relatively painless means by which to reduce the budget. This has forced departments to look at the outright elimination of programs, projects and/or services in order to meet the most recent budget reduction targets. Many departments needed to implement a portion of their contingency budget reduction options into their 2005 budget plan in order to reduce costs and maintain a balanced budget. This reduces the remaining contingency budget reduction options left available for future reductions; staff will begin working on developing additional reduction options in order to maintain a consistent dollar amount of reduction options within the contingency budget reduction plan.

This process will ensure that the City has the information necessary to make informed, although extremely difficult, choices regarding what services to continue providing to the citizens and those that must be eliminated, should this become necessary in the future, in order to stay within our existing resources. Additionally, this process assists

the City in communicating to the community the City's financial status, the impacts that the distressed economy and legislative decisions have on the City's ability to provide essential services and the options available to the City to respond to these financial pressures and community needs.

The reduction targets for each department and a summary of staff's existing Contingency Budget Reduction Plan, updated to identify those items adopted in the 2005 proposed budget, is included in Section III-E; the full plan was submitted to Council earlier in 2004. (An updated contingency budget reduction plan will be submitted to Council once prepared by staff and reviewed by the Budget Strategy Team (BST), see below for an explanation of the BST.)

### **Budget Strategy Team**

In 2004, Council and staff formed a Budget Strategy Team comprised of community members who volunteered to work together in an effort to examine the City's general government budget and related contingency budget reduction plan and provide input to the City Council regarding community priorities and, which services should be reduced or eliminated, if necessary. Additionally, the team will explore alternative strategies to curtail expenses and/or increase revenues.

This community group, appointed by the City Council, is referred to as the Budget Strategy Team (BST). The BST held their first meeting in July of this year; three meetings were held during which staff provided the team with background information regarding the City, its fiscal condition, the budget process and numerous documents and other information in an effort to provide them with a foundation on which to begin their review of the City's contingency budget reduction plan. The team meets together every Friday and to date has reviewed the public safety departments (fire, police, 911 and dispatch) and have begun their review of the Public Works Department. To review all general government divisions is an important and very time intensive task. The team is not scheduled to complete this effort until sometime in 2005, at which time they will present their findings and recommendations to the City Council and to the public.



Summary:

The enclosed Budget Forecast is balanced and presents staff's 2005 proposed budget of revenues and expenditures. This Budget Forecast also identifies the City's current and projected near-term fiscal status, the significant financial pressures affecting the City's ability to both maintain a balanced budget and continue to provide the existing level of essential and customary services our citizens have long enjoyed and come to expect. Additionally, the Budget Forecast identifies and discusses the options available to the City for addressing this financial dilemma; (1) grow and expand the tax base, and/or (2) increase revenues, and/or (3) implement significant reductions in, or eliminate all together, some existing services. This Forecast is provided to Council and the community as background and information to assist you in your consideration, discussions and, ultimately, your final decisions regarding the City's 2005 budget.

## **I-B. 2005 BUDGET HIGHLIGHTS**

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This section provides an outline of the City's 2005 projected revenues and proposed budgeted expenditures and provides an overview of the currently identified major challenges and opportunities facing the City over the next few years.

This 2005 budget proposal is the result of a process that spans several months and includes detailed, in depth reviews and budget discussions with employees in every department of the City. As part of this process the City Administration and Budget staff have carefully examined all major spending programs and obligations to identify cost savings and expenditure reductions in operations and capital outlays that could be made without severely jeopardizing essential services.

City staff is continually assessing proposals from various legislative, regulatory and political bodies, citizen initiatives, citizen groups, etc. in an effort to identify, analyze and prepare the City for the impacts that may result should various proposals become a reality. Additionally, staff monitors changes in revenue and expenditure trends that, if continued over time, could reduce the City's ability to continue to provide existing basic and essential services to our citizens. This section incorporates an overview of the proposed 2005 budget with a discussion of the major opportunities and challenges facing the City over the next few years.

This section is broken into the following categories:

1. Resource Projections
2. Expenditures
3. Major Capital Projects
4. Debt Service Costs
5. Changes in Funding Authorization
  - a. Proposed Staffing Changes
  - b. Proposed Policy Issues

Note: Subsequent sections of this document provide more detailed information on the 2005 proposed budget within each of the above areas (except for a detailed discussion of each policy issues, this will be included in the Preliminary Budget; which will be distributed in early November).

## **1. BUDGET HIGHLIGHTS - RESOURCE PROJECTIONS:**

The City's resources (i.e. resources include revenue and cash reserves) are broadly categorized in the following groups:

- (a) Taxes – Unrestricted
  - (b) Taxes – Restricted / Dedicated
  - (c) Licenses and Permits
  - (d) Intergovernmental Revenues
  - (e) Charges for Services
  - (f) Miscellaneous Revenues, Fines, Other Revenues/Financing Sources
  - (g) Cash Reserves
- Total City-wide 2005 revenues, for all funds, are forecasted to be \$130,608,095 vs. 2004 year-end estimated revenue of \$130,240,243, a small increase of approximately \$367,852 or 0.28% over the prior year.
  - Total General Government revenues are budgeted to be \$46,590,769, \$798,170 or 1.7% more than the 2004 year-end estimate of \$45,792,599.
  - Total City-wide 2005 beginning cash reserves are estimated to be approximately \$50,956,646 vs. 2004 actual beginning balance of \$52,807,108, a decrease of approximately (\$1,850,462) or 3.5%.
  - Total General Government 2005 beginning cash reserves are estimated to be \$5,722,987, (\$1,858,201) or (25%) less than the 2004 estimate of \$7,581,188.

These resources are utilized to support all City functions and services, including: general government activities; capital projects; debt service requirements; water, wastewater, irrigation and refuse services, etc. (however, some of these resources are restricted and can only be used on specified projects/activities.)

Following is an overview of the 2005 budget projections and for each of the above categories of resources:

### **A. Resource Projections – Unrestricted Taxes:**

#### **1. General Sales Taxes:**

A 7.9% sales tax is charged within the City of Yakima; however, the City receives less than 1.25% sales tax; leaving 6.65% with the largest portion of this going to the State. The City's portion of the sales tax is allocated as follows: (a) .85% for general fund activities, (b) .3% restricted to transit activities and (c) a portion of a .1% allocation

restricted to criminal justice purposes. (Refer to Section II, What You Pay and What You Get, for further explanation of the allocation of this State, City and County sales tax.)

**General Sales Tax:** This revenue is available for any City purpose; however, it is primarily utilized to support General Government activities (e.g.: public safety, streets, parks) and is currently the largest revenue source for the City's General Fund.

- 2005 revenue projection of \$11,450,000; represents approximately \$200,000 or 1.77% increase over the 2004 year-end estimate.
- 2004 year-end estimate of \$11,250,000; which is approximately \$148,260 or 1.34% over actual 2003 levels.

In 2003 the City annexed the South 72nd Avenue/Congdon areas and began receiving sales tax revenues from this newly annexed area in mid 2003. The impacts of this annexation on general sales tax revenues has had a positive affect on the 2004 budget comparisons with the prior year.

However, even with the annexation noted above, the total increase in this critical revenue source in 2004 over the prior year is significantly less than the projections for the 2004 rate of inflation, as is the 2005 sales tax revenue projection. (As of July 2004, the 2004 CPI for the western US is 2.5%.)

Note: there is a possibility that the City could lose some of its sales tax revenues in the future should the State Legislature implement the Streamlines Sales Tax (SST) proposal without appropriate mitigation. (Refer to the discussion of SST in the Summary of Unrestricted Tax Revenues, below.)

## **2. General Purpose Property Tax:**

This is the second largest revenue source for the City's General Fund (second only to general sales tax revenues) and supports basic services such as Police, Fire, Streets, Parks and the like. There are currently two state laws which set the guidelines under which property taxes may be assessed; one of these being Initiative 747, which was passed by voters in 2001. Under Initiative 747, property tax levy increases are limited to 1% or the increase in inflation, whichever is less. For purposes of this calculation, the Implicit Price Deflator determines the rate of inflation (2.4% as of July 2004). The second state law that governs property taxes limits the property tax rate to a maximum of \$3.60 per \$1000 of assessed value. (Refer to Section II, What You Pay and What You Get, for a further explanation of how this tax is calculated and applied to individual property owners.)

As allowed by law, City Administration is proposing a 1% increase in the property tax levy for 2005. Additionally, the budget estimate includes a 1.4% growth for new construction and enhanced tax collections.

The 2005 budget property tax forecast is approximately \$13.5 million.

(The total of the proposed 2005 General-Purpose and Special Purpose Property Tax levy is \$13,753,121; refer to Restricted Taxes, below, for information regarding the Special Purpose Property Tax Levy.)

**3. Utility Taxes, Franchise Fees and Business Taxes:**

This is the third largest revenue source for the City's General Fund. Utility taxes and Franchise fees are imposed on private and public utilities. These tax revenues in General Government are projected to be \$9,760,000 in 2005 as compared to the 2004 year-end estimate of \$9,632,380; a net increase of \$127,620 or 1.3%. This is primarily due to rate increases proposed by the outside electric utility and the City Refuse utility; and increased usage of cellular technology.

**4. Gambling Tax Revenues:**

<u>Gambling Tax:</u>	\$1,042,000 - 2005 budget forecast
	\$1,038,500 - 2004 year-end estimate

This revenue includes card rooms, bingo, punchboards and pull-tabs, and reflects only a modest increase for 2005. It appears that gambling tax revenues have now leveled off, and we do not expect to see the continuation of the significant growth in this revenue source that was experienced over the past few years.

**Summary - Unrestricted Tax Revenue:** Overall, the total 2005 projected General Government Funds tax revenues are projected to be \$35,017,042. The General Government Funds receive approximately 75% of their revenues from sales, property and utility taxes. None of these three critical revenue sources are keeping up with the rate of inflation. (CPI for 2004, as of August, was 2.5%; the 2005 budget projections for General Sales Tax, Property Taxes and Utility Taxes are 1.8%, 2.4%, and 1.6%, respectively.) If this trend of cost increases outpacing increases in revenues continues, as expected, the City will have to either continually reduce expenditures, and reduce the related service levels, or find new revenue sources to fund these services in the future.

Streamlined Sales Tax: there is a move underway in the State Legislature to change the basis on which local sales tax revenues are collected. The proposal, known as Streamlined Sales Tax or SST, would change sales tax from an origin to a destination based collection methodology. This means that taxes would be collected at the point of destination rather than at the point of sale, as is the method utilized within the State

of Washington today. There have been differing estimates of the impact this change could have on the City of Yakima. The Department of Revenue (DOR) has provided two substantially different estimates of the impact this change would have on the City, the first estimate indicated that the City would lose approximately \$330,000 annually in general sales tax revenues (and over \$500,000 when sales taxes to the PFD and Yakima Transit are added in). The DOR's second estimate indicated that the City would gain approximately \$50,000 annually.

Note: The City of Yakima asked a third party to estimate the (gross) loss to the City should SST be implemented. This survey resulted in an estimate of approximately \$600,000 gross loss to the City. Unfortunately, the City has no way of estimating the offsetting additional revenues that it might receive to determine a good estimate of the net gain/loss from the implementation of SST.

Although we do not have a good, solid estimate of the potential impact on the City of Yakima should the Streamlined Sales Tax proposal be implemented in the State of Washington, the possible loss in sales tax revenues is unsettling and would require significant reductions in the City's budget – and related services – should the estimated losses become a reality.

## **B. Resource Projections – Restricted / Dedicated Taxes:**

### **1. Criminal Justice Sales Tax:**

This revenue is dedicated to criminal justice related services such as; police officers, police equipment maintenance, and Municipal Court costs.

- 2005 revenue projection is \$790,000; which is approximately \$10,000 or 1.3% increase over 2004 year-end estimate.
- 2004 year-end estimate of \$780,000; is approximately \$12,285 or 1.6% increase over 2003 actual levels.

### **2. Transit Service Sales Tax:**

Approved by the voters, this revenue is legally restricted to providing transit services and related costs.

- 2005 revenue projection is \$4,000,000; which is approximately \$43,000 or 1.09% increase over 2004 year-end estimate.
- 2004 year-end estimate of \$3,957,000; is approximately \$38,742 or .99% increase over 2003 actual levels.

### **3. Special Purpose Property Tax levy:**

Additionally, the total levy will include \$300,000 in Special Purpose Property Taxes, previously approved by voters, to pay the debt service on the 1995 Fire Bonds. (These bonds were refinanced in 2004, reducing the 2005 required levy amount by approximately \$15,000).

### **4. Hotel / Motel Tax:**

Consists of a 2% distribution of State sales tax and 3% local option Hotel/Motel Tax, both dedicated for Tourist Promotion and related debt service.

- 2005 projected revenue of \$976,120, is approximately \$11,000 or 1.1% increase over 2004 year-end projections.

Breakdown of 2005 revenue projection:

\$390,448 - 2% State credit, and

\$585,672 - 3% Local Option

- 2004 year-end estimate is approximately \$965,120.

### **5. Other Taxes (including Real Estate Excise Tax (REET)):**

\$1,569,951 - 2005 forecasted revenues

\$938,940 - 2004 adopted budget

In 2003, the City imposed an additional 0.25% excise tax on real estate sales, for a total of .5%; effective January of 2004. Each 1/4% REET is included in the 2005 budget at \$550,000 for a total of \$1,100,000 (in comparison to \$450,000 each or \$900,000 in the 2004 budget.) Low interest rates and business sales have strengthened this revenue source. Additionally, in late 2003 - at the request of the local hotel and motel organizations - City Council established a Tourist Promotion Area (TPA) and imposed additional nightly fees to guest stays. The revenue generated by this fee is restricted to tourist promotion activities and is expected to generate approximately \$431,500 annually.

### **6. Utility Taxes, Franchise Fees:**

This category includes Cable TV franchise fees and utility taxes.

- 2005 Budget - \$1,050,000
- 2004 Year-end estimate - \$922,000

The 2005 budget incorporates a policy issue to increase the Cable TV Utility Tax by 1% (from 5% to 6%), to support Capitol Theatre maintenance and operations.



**Summary - Restricted / Dedicated Tax Revenues:** Overall, total tax revenues in non-general government funds are projected to be \$8,686,071 in 2005.

**C. Licenses and Permit Revenue:**

This category includes revenues received from charges for building, plumbing, mechanical and sign permits, dog licenses, wastewater discharge permits and other similar miscellaneous revenues.

- 2005 projection is \$658,400; or \$145,900 under the 2004 year-end estimate.
- 2004 year-end estimate is \$804,300; or \$382,400 over the 2004 budget.

Note: Since the Wastewater pretreatment permits program was transferred from the Department of Ecology to Wastewater late in 2003, the 2004 revenue includes a double billing for both 2003 and 2004.

**D. Intergovernmental Revenues/State-Shared Revenues**

Intergovernmental revenues reflect revenues to the City from State and Federal grants, that portion of revenues collected by the State and allocated to the City and restricted local government assistance funding, including:

- Federal Housing and Urban Development (HUD) Community Development Block Grant (CDBG)
- State Gas Tax 2005 budget is \$1,663,000. This tax is dedicated to City streets and is distributed by the State based on a predefined formula.
- Liquor Profits /Excise Tax combined budget is \$889,000, \$44,000 above the 2004 year-end estimate and \$129,000 above the 2004 budget of \$760,000. A portion of this revenue is restricted to substance abuse programs
- Federal Transit Administration 2005 budget is \$1,270,000, virtually the same as 2003 and 2004 year-end estimate. This money is operating assistance dedicated to the City's Transit system.
- State Transportation Improvement Board (TIB), Federal Highway Administration (FHA), and State Department of Transportation (WSDOT) funding

2005 projection of \$20,441,533; is \$945,601 or 4.4% under the 2004 adopted budget of \$21,387,134. This decrease is primarily due to street projects that are Federally funded but which are deferred until 2006.



#### **E. Fees / Utility Rates**

This category of revenues includes charges for more than 100 services provided by the City that are primarily supported by the users of those services, (example utility rates charged to utility customers).

- 2005 total overall revenue projection for Fees and Utility Rates is \$32,996,285; up \$2,085,720 or 6.7% over the 2004 adopted budget of \$30,910,565.

(Note: refuse rate changes of: 5% for residential can service, 15% for automated service and 9% for bins and yard waste, are included in the 2005 budget projections -- See Policy Issue Summary, Exhibit III.)

#### **F. Miscellaneous Revenues, Other Revenues and Financing Sources**

Revenues included in this category include; inter-fund operating transfers, debt proceeds, interest earnings, convention center operating revenues, LID assessments, utility connection charges and other miscellaneous revenues. (Due to the types of revenues included in this category, it tends to fluctuate from year to year.)

- 2005 projection is \$30,658,785; \$2,115,473 or 7.4% above 2004 adopted budget.

#### **G. Cash Reserves**

Each year the City budget, as a whole, includes cash reserves, most of which are limited for a specific purpose(s). The City has endeavored to maintain operating reserves for General Government operations of not less than 7% (or approximately one month) of the operating budget.

The 2005 year-end reserves in General Government are projected at 7.6% of the 2005 General Government budget. Prudent fiscal management dictates that these reserves be budgeted to prepare the City for potential shortfalls in revenue projections, unbudgeted policy issues which Council may approve, unanticipated expenditure requirements during the budget year and other contingencies. On average, operating budgets outside the General Government maintain an operating reserve of one to three months of their operating costs, subject to some one-time expenditures from time to time, as necessary. The City's dedicated reserves for all funds are projected to be \$37.4 million by year-end 2005. Projected 2005 year-end reserves, by category, are as follows:

a. General Gov't Funds (incl.: public safety, streets, parks, etc.) ...	\$3,714,000
b. Other Operating & Enterprise Funds.....	\$10,653,000
c. Capital Improvements.....	\$12,668,000
d. Contingency / Operating .....	\$2,117,000
e. Employee Benefit .....	\$4,214,000
f. Trust and Agency .....	\$527,000
g. Debt Service .....	\$3,490,000

(See Note, below, for identification of restrictions on these reserves, if any. Refer to Exhibit I for more information):

Note:

1. The City maintains reserves for many different purposes; some reserve funds are available for emergencies and unanticipated expenditure needs during the year and other reserves are legally or contractually restricted and may only be used for a specific purpose (such as the repayment of debt; support of a specific construction project; payment of benefits/retirement expenses and so on.)

The Dedications and Restrictions, if any, on reserves, are as follows:

- a. General Government Reserves: this category is made up of reserves for the general fund, parks fund and the street fund. General fund reserves are primarily unrestricted and maintained to offset unanticipated reductions in revenues, unanticipated expenditures and other emergencies. Parks and Street funds reserves are restricted to operations and maintenance costs within these funds.
- b. Operating & Enterprise Reserves: (1) operating reserve funds are special revenue funds, which, by law or legislation, are restricted to the operations, maintenance and capital costs for a designated purpose; (example, grants for economic development; assessments on local businesses for parking and business improvements, etc.) (Note: there may be a small portion of funds in this category which are not legally restricted.); (2) Enterprise reserves are generated from revenues received from transit, refuse, water, wastewater, and irrigation utilities and are restricted in use to the operation and maintenance needs of the specific utility from which they were generated.

- c. Capital Improvement Reserves: capital funds are established, by law, to account for the receipt and disbursement of moneys used for the acquisition of capital. Reserves are built up over time to support capital improvements and are designated either for payments on past improvements or to build a reserve to cover the cost of future improvements.
  - d. Contingency & Operating Reserves: these funds include (1) a general contingency fund (2005 budget of \$275,000) which is available to cover emergencies and unanticipated expenditures in any fund within the City; although they are primarily designated to cover contingencies in the General Government Funds; (2) a Capitol Theatre reserve fund, which consists of a \$1 million endowment, the interest on which is restricted to operating and maintenance costs of the Theatre; (3) a Risk Management reserve fund which covers the City's stop loss insurance costs, excess costs of claims, insurance/professional services costs and other miscellaneous "risk related" costs.
  - e. Employee Benefit Reserves: funds in this category are designated for the payment of unemployment compensation, employee health benefits, workers' compensation, employee wellness, and Firemen's relief and pension costs. (Note: the City is self insured for the above costs and is required to pay claims as they arise. Therefore it is prudent to keep reserves at a level adequate to pay all claims as they become due.)
  - f. Trust & Agency Reserves: (1) trust fund reserves are restricted to the purpose(s) for which the trust or endowment was originally designated (for example, cemetery trust fund requires interest on endowment to be used for operating and maintaining the cemetery (the principal may not be utilized for any purpose); (2) agency fund reserves are established as "pass through funds" for the purpose of providing payments to a third party and carry a zero balance.
  - g. Debt Service Reserves: are restricted to the repayment of debt.
2. The State of Washington has a law which provides that "one fund cannot benefit" another fund. State law also establishes the rule that a "fund" or a self-balancing set of records be established if revenue sources are restricted for specific purposes.

This rule enforces the concept that money collected for a specific purpose be used for that purpose. (For example, only general government resources may legally be spent on Police Officers or Firefighters; only General Government reserves may be spent on police officers. Likewise, the utility funds are self-supporting based on the rate structure designed to recover the cost of providing utility services. These funds may not be used for police or firefighters.)

3. Reserves are generally built up over time; they are non-recurring, and once they're spent they're gone – i.e.: there is no revenue source that will automatically fund these reserves once they are spent.

## **2. BUDGET HIGHLIGHTS - 2005 PROPOSED EXPENDITURES:**

Note: Refer to Table I-1 on the next page for a comparison of the 2005 Proposed Budget vs. the 2004 Amended Budget, by fund. And refer to Exhibit I for an expenditure detail, by fund.)

General Government: The 2005 proposed budget is up only four tenths of one percent (.04%) above the 2004 amended budget. Staff's ability to limit the 2005 proposed budget to this meager increase is primarily due to management's strict cost containment measures to offset and reduce the increases in many fixed, mandated and contractual obligations in an effort to hold overall expenditures to within projected resources while maintaining minimal reserves to cover emergencies.

Citywide Expenditures: The Citywide 2005 proposed budget decreased by \$1,628,224 or 1.1% from the 2004 amended budget. This decrease is primarily due to a reduction in total capital project budgets. Even though Wastewater is planning a major capital program, other areas such as Parks and Water have projects at or near completion by the end of 2004.

- 2005 Net Fixed, Mandated and Contractual costs within the General Government funds have increased approximately \$908,106 or 2.35% over 2004. These increases occurred primarily in the following cost categories: estimated increases in salaries; State retirement; vehicle and equipment maintenance and liability insurance. In an effort to minimize the impact of these increases on the overall expenditures,

Table I-1

**EXPENDITURE COMPARISONS \*****2004 VS. 2005**

<b>Fund:</b>	<b>2004 Year-end Estimates</b>	<b>2004 Amended Budget</b>	<b>2005 Proposed Budget</b>	<b>2005 vs. 2004 Budget Inc./(Dec.)</b>
General	\$38,934,953	\$39,328,442	\$39,989,378	1.7%
Parks	3,832,816	3,928,829	3,905,396	(0.6%)
Streets & Traffic <sup>(1)</sup>	4,883,031	5,137,862	4,705,035	(8.4%)
<b>Sub Total – General Government</b>	<b>\$47,650,800</b>	<b>\$48,395,133</b>	<b>\$48,599,809</b>	<b>0.4%</b>
Community Development <sup>(2)</sup>	\$2,991,564	\$3,138,801	\$2,414,285	(23.1%)
Utilities/Other Operating	42,735,779	43,508,748	44,847,733	3.1%
Capital Improvement	21,670,123	32,529,054	30,698,899	(5.6%)
Contingency/Operating Reserves	2,097,554	2,250,652	2,142,699	(4.8%)
Employee Benefit Reserves	10,238,786	10,857,624	10,612,864	(2.3%)
General Obligation Bonds	1,983,135	2,010,648	1,908,406	(5.1%)
LID Debt Service	138,000	138,000	72,000	(47.8%)
Water/Sewer Revenue Bonds	2,569,964	2,968,376	2,872,117	(3.2%)
Trust and Agency Funds	15,000	15,000	15,000	0.0%
<b>Total</b>	<b>\$132,090,705</b>	<b>\$145,812,036</b>	<b>\$144,183,812</b>	<b>(1.1%)</b>

**Legend:**

- (1) The 2005 proposed budget for Streets and Traffic reflects an 8.4% decrease from the 2004 amended budget, mainly due to the elimination of two full time vacant positions, the elimination of several one-time expenditures in the 2004 budget, and the shifting of the subsidized stormwater staffing expenses to the new utility fund.
- (2) The 2005 proposed budget includes an estimate of the 2005 grant awards only. The 2004 amended budget includes the actual 2004 grant awards and awards carried forward from previous years.

\* See Exhibit I for an expenditure detail by individual fund.

management made reductions in permanent budgeted positions; overtime; vehicle replacement charges; outside jail costs (a concentrated effort to manage placement of prisoners and alternative sentencing); election costs (because this is an “off-year” for local election issues); the contribution to the regional library system; and capital outlays. (Refer to Table III-9 Section III for more information on the City’s fixed, mandated and contractual costs.)

- **Staffing:** Due primarily to the cost increases and to the restrictions on revenue increases, as discussed above, there are eleven positions which have been eliminated from the budget (all of these positions are currently vacant) and others that will experience a reduction in hours. However, no employee layoffs are proposed in the 2005 Budget.

City management is committed to exploring every opportunity to improve operational efficiencies and productivity throughout all departments. Unfortunately, since the City’s budget is highly labor intensive -- 76% of the General Government budget is for personnel and related expenses; (Refer to Exhibit IV), any significant expenditure reductions to offset further revenue shortfalls will likely involve a continued reduction in the workforce; and a reduced workforce means a reduction in the services we are able to provide to our citizens.

Note: The Contingency Budget Reduction Plan (discussed in Section 1-A) includes the elimination of a number of positions should it be necessary to implement these severe cost reduction measures (also, refer to the end of Section III for an overview of the contingency plan, the detailed contingency plan will be distributed with the Preliminary Budget in early November).

- **Library:** The 2005 proposed budget reflects a \$100,000 reduction from the 2004 adopted budget. This reduction represents approximately \$113,000 reduction from resources which would otherwise have been available to the library had they received a 2% increase in there funding. This budget reduction is proposed as a cost containment measure in the 2005 budget.
- **Annexations:** In 2002 the City annexed the Congdon Orchards and 72nd Avenue areas. The revenue and service expenditure impacts of these annexations are

included in the proposed 2005 Budget. (Note: In 2002, the City expanded operations to provide police, streets and transit services in this area and in 2003 the City began providing fire services in this area as well, by contracting with West Valley Fire District. In mid 2004, the City took over the fire protection services for this newly annexed area; adding 9 new firefighter positions this year to serve this area.) As with most annexations, the cost to serve the area are greater than the additional revenues received from the area during the first few years, and remain that way until sufficient growth in the annexation area occurs.

- **Unfunded and Unbudgeted Mandates:** Anticipated demands on existing resources which have not been included in the 2005 Budget Forecast include the costs of unfunded mandates for compliance with the new Clean Water Act, the Endangered Species Act (ESA). No expenditure increases have yet been included in the 2005 proposed budget for these items, as a clear picture of the costs for compliance is not yet known. Additionally, only costs associated with a small portion of the Storm-water requirements are included in the 2005 proposed budget. Meeting all of these unfunded, mandated regulations will be very costly; and likely require significant increases in utility rates / charges.

**Expenditure Summary:** The depressed local and national economy; permanent tax limitations; fewer state-shared revenues; the relentless issuance of costly, unfunded mandates and rising labor and benefit costs and private sector cost increases continue to have significant negative impacts on the City's budget. City management is working hard to restrict cost increases where possible and, when not possible, to offset increases with expenditure reductions in other areas, as appropriate. However, this process places extreme fiscal challenges on the City and has forced the City to reduce the services we are able to provide to our community in order to maintain a balanced budget and live within our available resources.

### **3. BUDGET HIGHLIGHTS - MAJOR CAPITAL PROJECTS:**

Capital project funds for 2005 are budgeted at approximately \$30.7 million. The 2005 proposed budget includes new capital expenditures and a carryover of ongoing projects previously approved by Council, as follows:

- Water and Wastewater Capital Projects.....\$12,442,000  
(Including Wastewater Facilities Improvement)
- Major Street Construction Project.....\$11,518,000  
Includes:
  - Nob Hill Blvd. 68th to 80th.....\$1,390,000
  - Washington Avenue Expansion.....\$3,356,773
  - Railroad Grade Separation .....\$4,250,000
  - Other Street Projects and Debt Service Payments.....\$2,521,227
- Transit Capital .....\$330,000
- City Hall Rehabilitation / Contingency / Repairs  
(continuation) .....\$400,000
- Parks Capital Improvements.....\$135,000
- Fire Capital.....\$94,000
- Capitol Theatre .....\$450,000
- Criminal Justice/Capital Expenditures .....\$463,000
- Convention Center Capital.....\$130,000
- Central Business District Improvements .....\$207,000
- Stormwater Capital.....\$150,000
- Irrigation System Improvements.....\$3,015,000  
(Planning and Capital Projects)
- Local Improvement District (LID) Construction.....\$1,366,000

**Total Capital Projects** **\$30.7 million**<sup>(1)</sup>

(1) Rounded.

Refer to Section V, Capital Improvements, for more information on the above projects.



#### **4. CAPITAL PROJECT FUNDING:**

To fund these major projects, the City has:

- (1) Secured grant funding and ongoing, dedicated street funding resources for a significant portion of the street projects
- (2) Funded projects through the use of rates, reserves, grants and State loans and the issuance of debt.

Note: The operational impacts of these projects have been included in the 2005 proposed Budget.

#### **5. BUDGET HIGHLIGHTS - DEBT SERVICE COSTS:**

Most municipal organizations must issue long term debt to finance capital projects and improvements, and Yakima is no exception. This category includes the cost of principal and interest payments on the City's outstanding debt.

- 2005 budget projection of \$4,852,523; is \$264,501 or 5.2% decrease over the 2004 amended budget of \$5,117,024. This decrease is primarily due to the debt refunding (refinancing) of the 1995 and 1996 G.O. bonds in 2004, which reduced the City's financing costs; and lower than anticipated interest cost on Irrigation system revenue bonds.

(Note: debt service payments on the general obligation bonds issued in 2003 to support the County's SunDome expansion project do not begin until the year 2008).

Refer to Section V, Capital Improvements, for more information on the above projects.

#### **6. BUDGET HIGHLIGHT - CHANGES IN FUNDING AUTHORIZATION**

This sections is broken into two categories: (a) an overview of proposed changes in staffing and (b) an overview of policy issues for Council consideration. (See Exhibit III for a more detailed summary of Policy Issues; the detailed information behind each of the policy issues will be included in the Policy Issue document scheduled to be submitted to Council with the Preliminary Budget document in early November.)

### A. 2005 Proposed Adjustments in Personnel

Fund/Department.	Description	Positions Added or (Deleted)	Base Salary and Benefits *	Comment
<b>General Fund:</b>				
Finance	Cashier (vacant)	(.75)	(\$29,292)	
Codes Administration	Code Inspector (vacant)	(.25)	(12,342)	Policy Issue
Police	Support Spec. II (vacant) Parking Officer (vacant)	(1.00) (.75)	(46,844) (37,651)	
Engineering	Const. Inspector (vacant)	(.89)	(48,448)	
Information Systems	Word Proc/Typist (vacant)	(1.00)	(38,017)	
<b>Total General Fund</b>		<b>(4.64)</b>	<b>(\$212,594)</b>	
Parks & Rec. Fund	Parks Maint. Specialist Recreation Act. Spec. (both vacant)	(1.00) (1.00)	(46,538) (43,518)	Policy Issue
Streets & Traffic	Traffic Sign Spec. Street Maint. Spec. (both vacant) Stormwater Engineer (transfer to Utility fund)	(1.00) (1.00)  (1.00)	(50,765) (53,576)  (\$87,140)	
<b>Total - General Government</b>		<b>(9.64)</b>	<b>(\$494,131)</b>	

Fund/Department.	Description	Positions Added or (Deleted)	Base Salary and Benefits *	Comment
<b>Other Operating/ Enterprise Funds:</b>				
Public Safety	Electronics Tech I	.25	\$15,217	Upgrade from 75% FTE
Stormwater	Eng. Utility Spec. (new) Stormwater Engineer (transfer from Streets)	1.25 1.00	72,203 87,140 159,343	Policy Issue
Transit	DA II	1.00	36,136	Policy Issue
Wastewater	Construction Inspector	(.11)	(5,988)	
Irrigation	Irrigation Specialist I	.20	5,080	Upgrade from 80% FTE
Equipment Rental	Automotive Storekeeper (vacant)	(1.00)	(59,617)	
<b>Total Other Operating/ Enterprise Funds</b>		<b>2.59</b>	<b>\$150,171</b>	
<b>Total Citywide</b>		<b><u>(7.05)</u></b>	<b><u>(\$343,960)</u></b>	

\* Salary and benefits shown reflect impact on 2005 budget.

Notes:

1. A Word Processing Typist position was upgraded to a Computer Operations Assistant position in Information Systems; an additional cost of \$1,347.
2. A Signal Electrical Tech III position was downgraded to a Signal Electrical Tech I in Streets & Traffic; a savings of \$11,149.
3. A Cemetery Supervisor position was downgraded to a Park Maintenance Specialist position in the Cemetery Department; a savings of \$15,217.
4. A Surface Water Engineer was transferred from Streets to the Stormwater fund; a cost reallocation of \$87,140. This has no effect on city wide expenditures.

Management continues to focus on the City's critical priorities in public safety, accommodate Federal and State mandates, and provide critical support services (Information Systems, Legal, Financial, etc.). In an effort to meet these goals and maintain the commitment to minimizing costs and increasing efficiencies, management has shifted personnel resources in the 2005 budget. The total net affect is a reduction of \$343,960.

## **B. 2005 POLICY ISSUES OVERVIEW:**

When staff proposes changes that include a policy component - not strictly administrative and operational issues – we prepare a Policy Issue document for Council consideration. Additionally, all funding for support to outside agencies (new and existing) and all proposed increases in staffing require a Policy Issue. The Policy Issue document includes a description of the proposed change, the consequence of making and not making the change, impacts, if any on the public and on personnel, and the increase/decrease in funding requirements. If there is an increase in funding requirements, the source of the additional funding must also be identified. Council separately considers and approves or denies each policy issue as part of their review and approval of the annual budget.

Staff has diligently worked to hold down costs when preparing the 2005 budget proposal. This is evidenced in the number and dollar amount of the enclosed policy issues; far fewer 2005 policy issues are included in the 2005 budget than in recent years.

Following is an overview of the 2005 policy issues:

(Refer to Exhibit III for more information on each of the following items. A Policy Issue Document with detailed information on each policy issue will be submitted to Council in early November.)

- **Water Division:** The water utility is proposing a rate adjustment to cover operating, maintenance costs and costs of critical capital improvements. (This rate adjustment is currently under consideration by City Council; policy issue is unbudgeted.)
- **Information Systems Division:** (Three policy issues)
  1. Implement a digital agenda management system; this would accommodate Council Agenda Items to be electronically maintained and distributed. (\$75,000, budgeted)
  2. Extend Data Communications Fiber Network to Fire Station #92 (West Valley) and the Harman Senior Center; thereby connecting these facilities with the rest of the City with high-speed data capabilities. (\$120,000, budgeted; \$60,000 Telecommunications, \$40,000 Fire Capital and \$20,000 Parks Capital)

3. Complete Phase I and begin Phase II of a Utility Customer Service System replacement project. (\$160,000, budgeted – best estimate at this time; \$120,000 Wastewater, \$25,000 Water and \$15,000 Irrigation)
- **Code Administration Division:** (One policy issue)
    - a. Modify building, plumbing and mechanical permit fees (to a level equal to the County). (\$99,000 general fund revenue increase, unbudgeted)
    - b. Restore Code Inspector position to 100%, from 75%; and fund through additional revenues received from increasing permit fees, as requested above. (\$12,350 general fund, unbudgeted)
  - **Community and Economic Development – Capitol Theatre:** (Two policy issues)
    1. Increase Cable Utility Tax 1% (from 5% to 6%); revenues to be used to support Capitol Theatre. (\$98,000, budgeted)
    2. Increase in annual management fee funded by Hotel/Motel tax - \$2,000, and increase in Cable Utility tax, if approved by Council, \$5,000 (\$7,000, budgeted)
  - **Community and Economic Development – Yakima Center:** (Five policy issues)
    1. Increase the annual management fee from \$485,000 to \$525,000. (\$40,000, Budgeted; funded through a transfer from the Public Facilities District (PFD) to the Center Operating Fund.)
    2. Continue PFD subsidy of Yakima Center operations; PFD transfer to Tourist Promotion Fund. (\$115,000, budgeted)
    3. Continue Sports Commission; funded by Center Operating fund, through Hotel / Motel tax revenues. (\$45,000, budgeted)
    4. Funding for Visitor Information Center – Tourist Promotion; funded by Hotel / Motel tax revenues. (\$40,000, budgeted)
    5. Funding for Convention Center East parking lot; funded by Convention Center Capital Improvement Fund. (\$50,000, budgeted)
  - **Fire:** (Two policy issues)
    1. Restructure Fire Department including: (a) phase-out of 3 Battalion Chief positions, (b) add 1 Deputy Chief, (c) add 1 Captain and eliminate 1 Lieutenant (i.e.: upgrade one Lieutenant position to a Captain). (Net savings of \$200,000 beginning in 2006; unbudgeted)

2. Renovation and addition to West Valley Fire Station #1 (subject to negotiations with WV Fire District). Funded by line of credit to be re-paid from general fund resources over 5 years, plus contribution from West Valley Fire District. (\$610,000 estimate, unbudgeted)
- **Public Safety Communications:** (three policy issues)
    1. Replace computer Disk Array; funded from 911 Excise Tax. (\$40,000, budgeted)
    2. Replace Microwave Link to Look-out Point Radio Site; funded from Law and Justice Capital, \$50,000 and Transit Funds, \$20,000. (\$70,000, budgeted)
    3. Study Citywide radio system needs; funded from all radio department users. (\$ Unknown, unbudgeted)
  - **Public Works - Parks and Recreation Division:** (four policy issues)
    1. Increase General User Fees and Charges (includes revenue and expenditure estimates for rental of new facilities). (\$80,000 - \$15,000 budgeted, \$65,000 unbudgeted)
    2. Increase Utility Tax on Water, Wastewater and Refuse; -- 2 options presented -- 1% from 3.5% to 4.5% (\$225,000, unbudgeted), or .5% from 3.5% to 4.0%. (\$112,500, unbudgeted)
    3. Funding for Central Business District (CBD) landscaping; from PBIA fund. (\$39,906 - \$15,000 budgeted, \$24,906 unbudgeted)
    4. Cemetery – Increase fees and charges 5%; support cemetery fund. (\$6,400 increased revenue to the Cemetery Fund, unbudgeted)
  - **Transit Division:** Add 1 FTE clerical position (DA-II); fund from transit operating fund. (\$35,600, budgeted)
  - **Equipment Rental:** Re-organization plan for division (\$57,000 savings; budgeted)
  - **Refuse:** (two policy issues)
    1. Purchase route analysis system; funded from refuse rates. (\$90,000, Budgeted)
    2. Refuse rate adjustment, overall 9%; revenues to refuse utility. (\$200,000 revenue increase 1st year; \$260,000 annually thereafter, budgeted)

- **Engineering** – Storm water: staff has prepared two alternative options for Council consideration for handling storm water:
  - a. Establish a Stormwater Utility; total first year budget: \$583,000. Transfer the Stormwater Engineer from streets to the appropriate division \$87,000 and create new position (and add 1.25% FTE) of Engineering Utility Specialist \$71,000. Other operating costs, \$275,000; and capital projects, \$150,000 (all budgeted); or
  - b. Minimal Stormwater program (if utility not established); \$172,000 of total costs to be funded by Wastewater Operations (for 2005 only.) This is proposed to be reimbursed when the utility is established.
- **Outside Agencies:** Total 2005 request is \$107,146.
  - a. Agencies requesting funds which have been included in the proposed 2005 budget include: Yakima County Development Association; Yakima Chamber of Commerce; 4th of July Committee and Yakima Sunfair Association. (\$31,813 Budgeted)
  - b. Agencies requesting funds which have not been included in the proposed 2005 budget include: Allied Arts Van; Salvation Army (Milroy Park); Retired Senior Volunteer Program (RSVP) and Black Rock. (\$75,333 Unbudgeted)
- **Intergovernmental:** A total of \$91,925 has been requested and included in the proposed 2005 budget, allocated as follows. The Clean Air Authority requested \$12,580 (2004 budget - \$12,564); Yakima County Emergency Management requested \$40,813 (2004 budget - \$39,729) and the Yakima Valley Conference of Governments (COG) requested \$38,532 (2004 budget - \$38,436).

## **II. WHAT YOU PAY AND WHAT YOU GET**

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### **OVERVIEW**

This section is presented to assist the reader in understanding the taxes they pay, what governmental entity receives those tax revenues and how the City spends their allocated portion. Enclosed, you'll find charts and graphs which identify how much of the taxpayers' dollar comes to the City and what percentage of the City's total revenues each type of tax/charge represents. Also included is (a) an outline of the City taxes and utility charges collected from a typical Yakima household; (b) a depiction of how those revenues are then distributed between the various City services/functions and (c) the amount a typical four-person household pays for these services.



## **Sales and Use Taxes:**

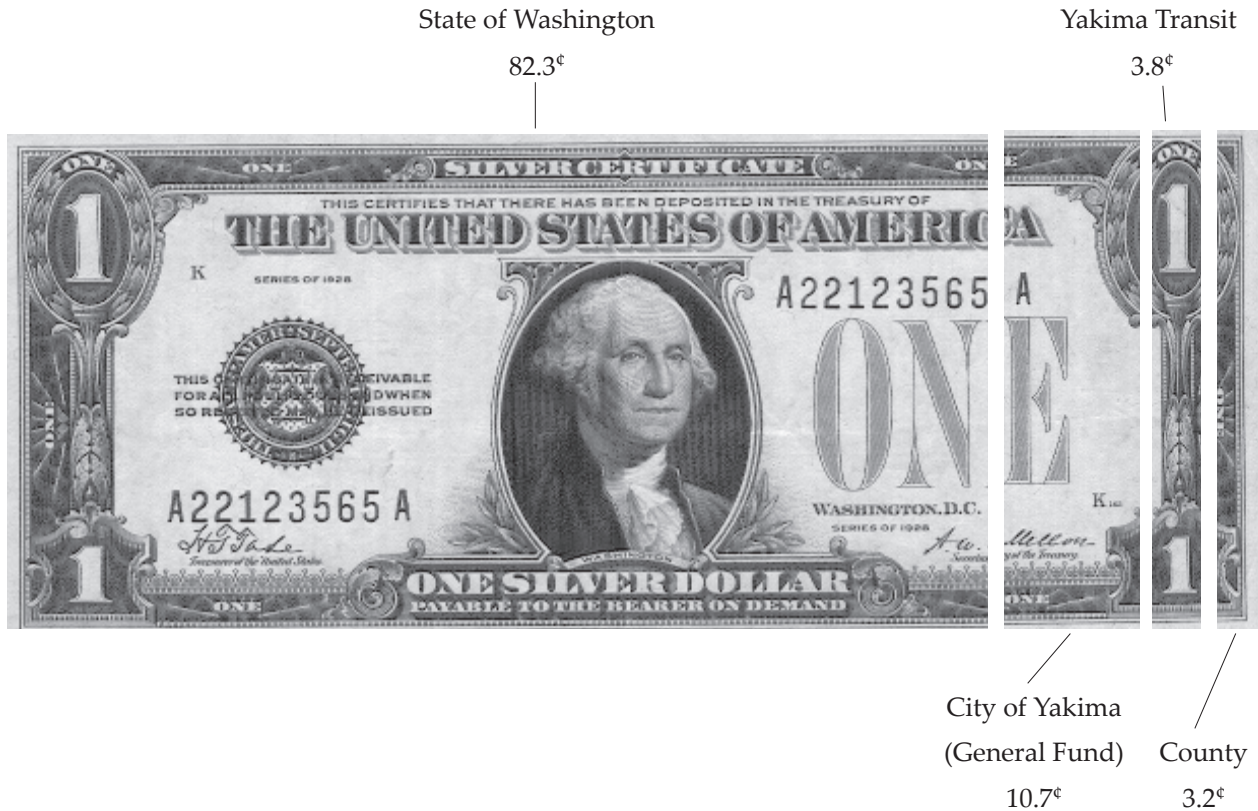
**Sales and Use Tax:** There is a 7.9% sales tax charged on the sale of goods within the City. The vast majority of this revenue is allocated to the State, not the City. The State receives 6.5% while the City receives 0.85% for the general fund and an additional 0.3% that is restricted for transit services and 1% goes to the County. (Refer to chart below for a complete detailed listing of how this revenue is allocated.)

Following is an example of how the sales taxes paid by the consumer are allocated between the City and the State. Based on the assumption that a family with a taxable income of \$36,000 will spend \$9,000 on items on which sales tax will be applied, they will pay approximately \$711 in sales taxes annually. Of this amount, 1.15% or approximately \$104 goes to the City (\$77 or 0.85% for general fund and \$27 or 0.3% for transit services).

The chart on the following page depicts how much of each dollar of sales tax revenue is allocated to the State, the City and the County.

Figure II-1

## Allocation of Sales Tax Collection



### **Sales Tax Rates Within Yakima City Limits**

(In descending order by total allocation)

	<u>Rate</u>	<u>% of Total</u>	<u>Example: \$100 Sale</u>
State of Washington	6.50%	82.30%	\$6.50
City of Yakima (General Fund) <sup>(1)</sup>	0.85%	10.70%	\$0.85
Yakima Transit	0.30%	3.80%	\$0.30
Yakima County (Current Expense Fund) <sup>(1)</sup>	0.15%	1.90%	\$0.15
Yakima County Criminal Justice <sup>(2)</sup>	0.10%	1.30%	\$0.10
<b>Total Sales Tax Rate in City Limits</b>	<b>7.90%</b>	<b>100.00%</b>	<b>\$7.90</b>

(1) The City charges 1%, however, the county receives .15% of the cities' sales tax collections.

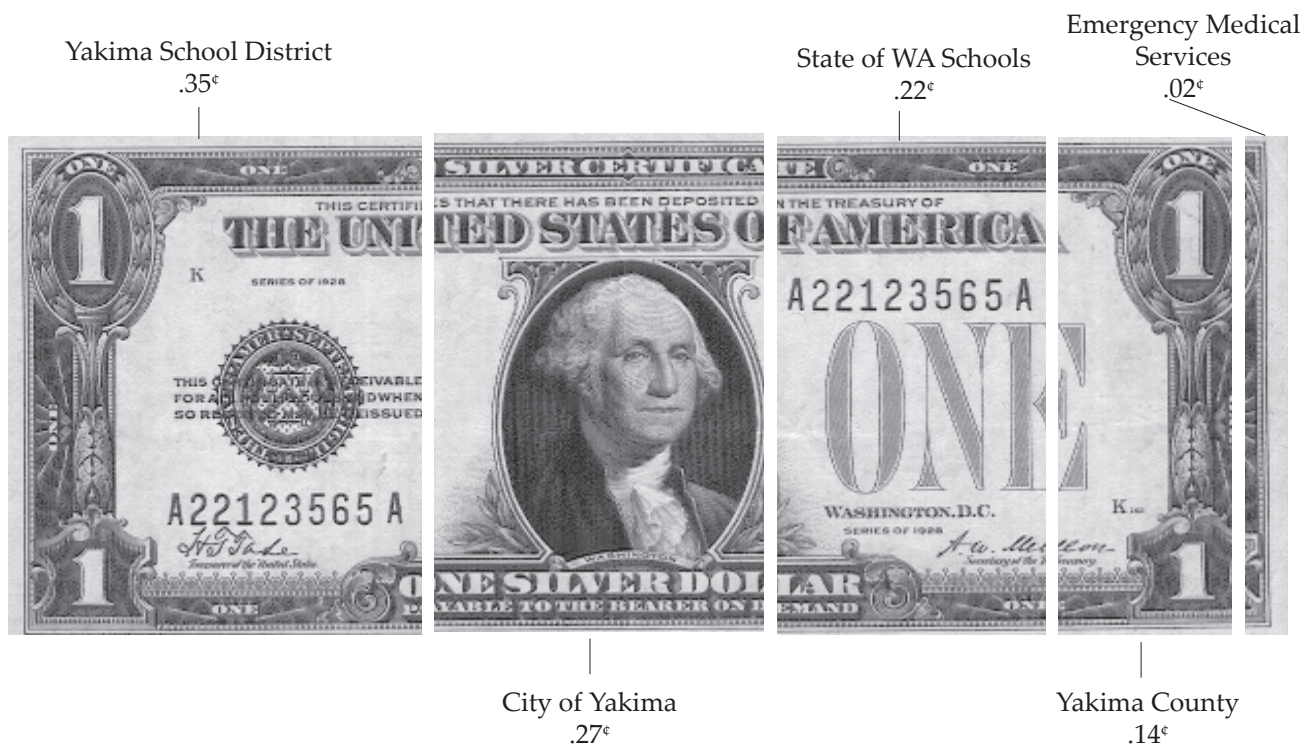
(2) This tax is allocated among the Cities and the County to support Criminal Justice uses.

## Property Taxes:

The total property taxes paid by property owners within the City of Yakima includes taxes levied by several governmental entities; the State, School Districts, Special Countywide voted levies and the City's general and special voter approved levies. The percentage of the total property taxes levied by, and allocated to, each individual governmental entity will change slightly from year to year. The City's portion is generally under 30% of the total amount collected. (Refer to the graph and chart below for how the 2004 property taxes were allocated between these governmental entities.)

Figure II-2

### 2004 Property Tax Distribution



City of Yakima Property Tax: In 2004, a typical City resident pays approximately \$13.34 per thousand of assessed value on property taxes. Only \$3.56, or about 27% goes to the City, with the balance divided between the County, schools, and other special districts.

Table II-1

**Property Tax Code Area #333 (Yakima Schools)**  
**Consolidated Levy and Rates**  
**2003 Assessed Valuation - 2004 Tax Year**

<b>Property Tax Levy</b>	<b>2003 Rate/ Thousand</b>	<b>2004 Levy</b>	<b>Percent of Levy</b>
General Fund	\$1.4269	\$5,456,501	
Library	0.3698	1,414,107	
Parks & Recreation	0.4817	1,841,985	
Street & Traffic Operations	0.8330	3,185,644	
Firemen's Relief & Pension	0.3604	1,378,215	
<b>Total Operating Levy</b>	<b>3.4718</b>	<b>13,276,452</b>	<b>26.2%</b>
<b>Total Bond Levies</b>	<b>0.0841</b>	<b>315,833</b>	<b>0.6%</b>
<b>Total City Levy</b>	<b>3.5559</b>	<b>13,592,285</b>	<b>26.8%</b>
<b>Other Levies</b>			
School District #7:			<b>35.1%</b>
Operation & Maintenance	2.8149	10,572,455	
Bond Redemption	1.9270	7,237,600	
State Schools	1.6831	6,436,336	<b>22.1%</b>
Yakima County	0.0984	376,291	<b>14.1%</b>
Yakima County Flood Control	0.0849	324,666	
Juvenile Justice Bond	2.9261	11,189,687	
EMS Levy	0.2459	940,345	<b>1.9%</b>
<b>Total Other Levies</b>	<b>9.7803</b>	<b>37,077,380</b>	<b>73.2%</b>
<b>Total Levy Code #333</b>	<b>\$13.3362</b>	<b>\$50,669,665</b>	<b>100.0%</b>

## Description of how property taxes are levied:

The following explanation is included to help the reader understand how property taxes are assessed to the individual property owners. To aid in this explanation three commonly used terms must be understood, they are Property Tax Levy, Property Tax Rate and Assessed Value.

- Property Tax Levy -- is the total amount of money that is authorized to be collected.
- Assessed Value -- is the total value, as determined by the County Assessor's Office, of all property within the City.
- Property Tax Rate -- is the property tax amount that will be applied to every \$1,000 of assessed value; the rate is determined by simply dividing the levy amount by the total assessed value amount and dividing that number by 1000.

In other words, an increase in assessed value does not affect the total amount levied or collected by the governmental entity. Nor does it automatically affect the amount the property owner must pay. The dollar amount of the levy is restricted by law -- the assessed value is simply the means to allocate the total dollars among the property owners. A change in one property owner's assessed value will affect his/her property tax bill only if the change is significant enough to change that property owner's percentage of the total assessed value of all property within the taxing districts. (Example: if the amount of property tax levied does not change from one year to the next, and every property owner's assessed value goes up 3%, there will be no change in the property tax owed by any of the property owners. This is due to the fact that everyone's assessed value increase by the same amount, therefore, every property owner's percentage of the total tax levy remained the same.)

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## **Summary - City Taxes and Utility Charges:**

The taxes and utility charges shown in the following charts are only those directly levied by the City. In the cases of sales and property taxes, the 2 major taxes paid directly by Washington residents, only a small portion of the total tax belongs to the City. For example,

The total local tax and charges for all municipal services provided to a typical household in Yakima in 2004 is approximately \$149 a month, or \$1,792 a year, as depicted in the following charts.

**Table II-2**

### **Annual Taxes and Utility Charges Levied by the City of Yakima On the Typical Household for 2004**

Property Taxes - General.....	\$3.4718/1,000 .....	\$347
Special Levy Property Taxes..... (Assumes \$100,000 home)	\$0.0841/1,000 .....	8
Sales Taxes - General.....		77
Transit Sales Tax .....		27
(Assumes \$9,000 taxable purchases on \$36,000 taxable income)		
Tax on City-owned Utilities - General .....		112
Tax on Private Utilities - General .....		160
(Assumes electricity and gas of \$1,720, telephone of \$547 and Cable TV of \$480)		
Water, wastewater & refuse Utility Charges (excluding Utility Tax) .....		849
(Refuse: 96 gallon can; Water/Wastewater: 1,300 cubic foot consumption)		
Irrigation Assessment.....		194
(Assumes 7,000 square footage)		
Stormwater Assessment.....		18
(Assumes 7,000 square footage/impervious surface)		

<b>Total Annual City Taxes, Utilities and Assessment Charges</b>
--

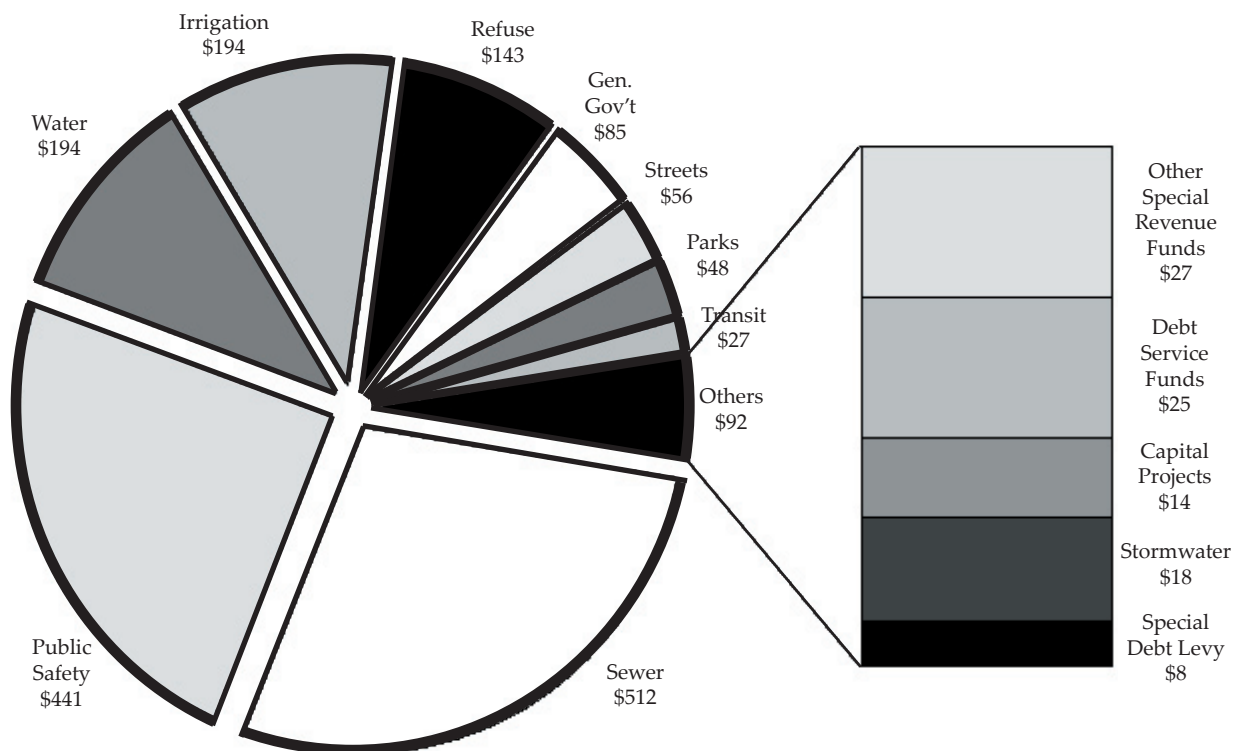
<b>\$1,792</b>
----------------



Figure II-3

## City Taxes and Utility Charges

Cost to Typical Household - - \$1,792 Annual



### Revenue Allocation Based on 2005 Budget

Assumptions - Typical 4 person household: Property tax based on \$100,000 home; Sales tax based on \$36,000 annual income and \$9,000 taxable purchases; Utilities based on 96 gallon can for Refuse, 1300 cubic foot monthly consumption for Water/Sewer; Irrigation for 7,000 square foot lot; Storm Water based on impervious surface; Gas/electricity \$1,720, telephone \$547, cable television \$480.

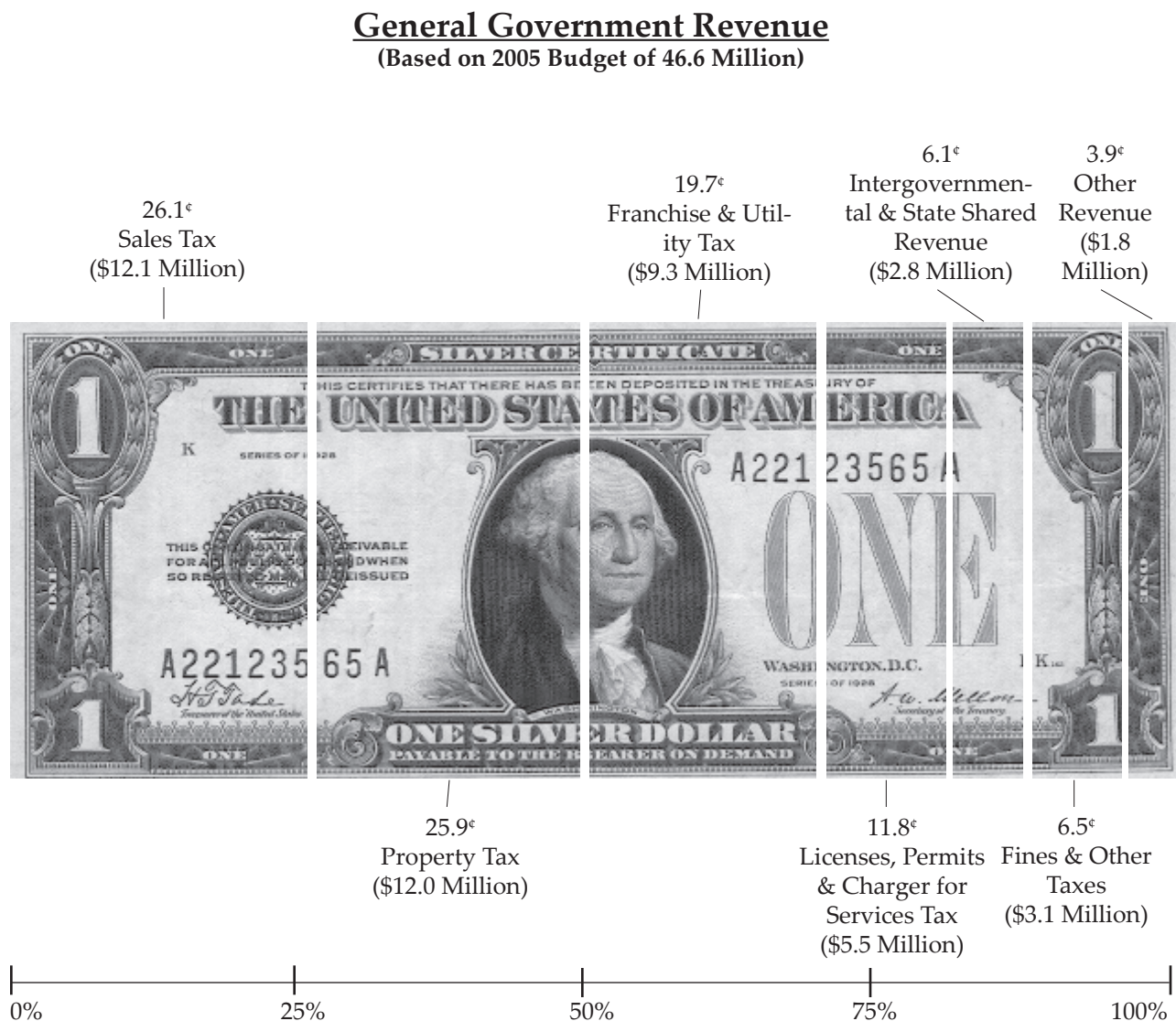


## Summary - General Government Revenue:

The total 2005 proposed General Government Revenue Budget is approximately \$48.6 million .

The following chart breaks this dollar amount down by the source of the revenue. You'll note that three revenue sources – sales tax, property tax and franchise and utility taxes – generate over 70% of the total general fund revenues.

Figure II-4



Due to changes in population resulting from annexations, City revenues fluctuate considerably over time, making revenue comparisons very difficult in absolute dollars. The following chart compares the changes in the City's general government revenues and expenditures to changes in the Consumer Price Index (CPI) between 2000 and 2003. You'll note that while the City's general government revenues decreased an average of (2.68%) and expenditures decreased an average of (1.85)% on a per capita basis over this three-year period, the CPI increased an average of 2.49%. This indicates that the increase in the City's revenue and expenditures have fallen below the consumer price index by approximately 7.02% on a per capita basis.

**Table II-3**

**City of Yakima  
Summary of General Government  
Revenues and Expenditures Per Capita Compared to CPI**

	<b>2000 Amount</b>	<b>2001 Amount</b>	<b>2002 Amount</b>	<b>2003 Amount</b>	<b>Average Annual % Change</b>
<b><u>Revenues</u></b>					
Total General Government	\$39,444,330	\$41,154,269	\$42,827,719	\$44,035,304	3.9%
Population	65,262	73,040	79,120	79,220	7.1%
Revenue per capita	\$604	\$563	\$541	\$556	(2.7%)
<b><u>Expenditures</u></b>					
Total General Government	\$38,962,339	\$39,633,229	\$42,371,384	\$44,673,857	4.9%
Population	65,262	73,040	79,120	79,220	7.1%
Expenditures per capita	\$597	\$543	\$536	\$564	(1.9%)
Consumer Price Index (CPI)	172.8	181.3	184.1	185.7	2.5%

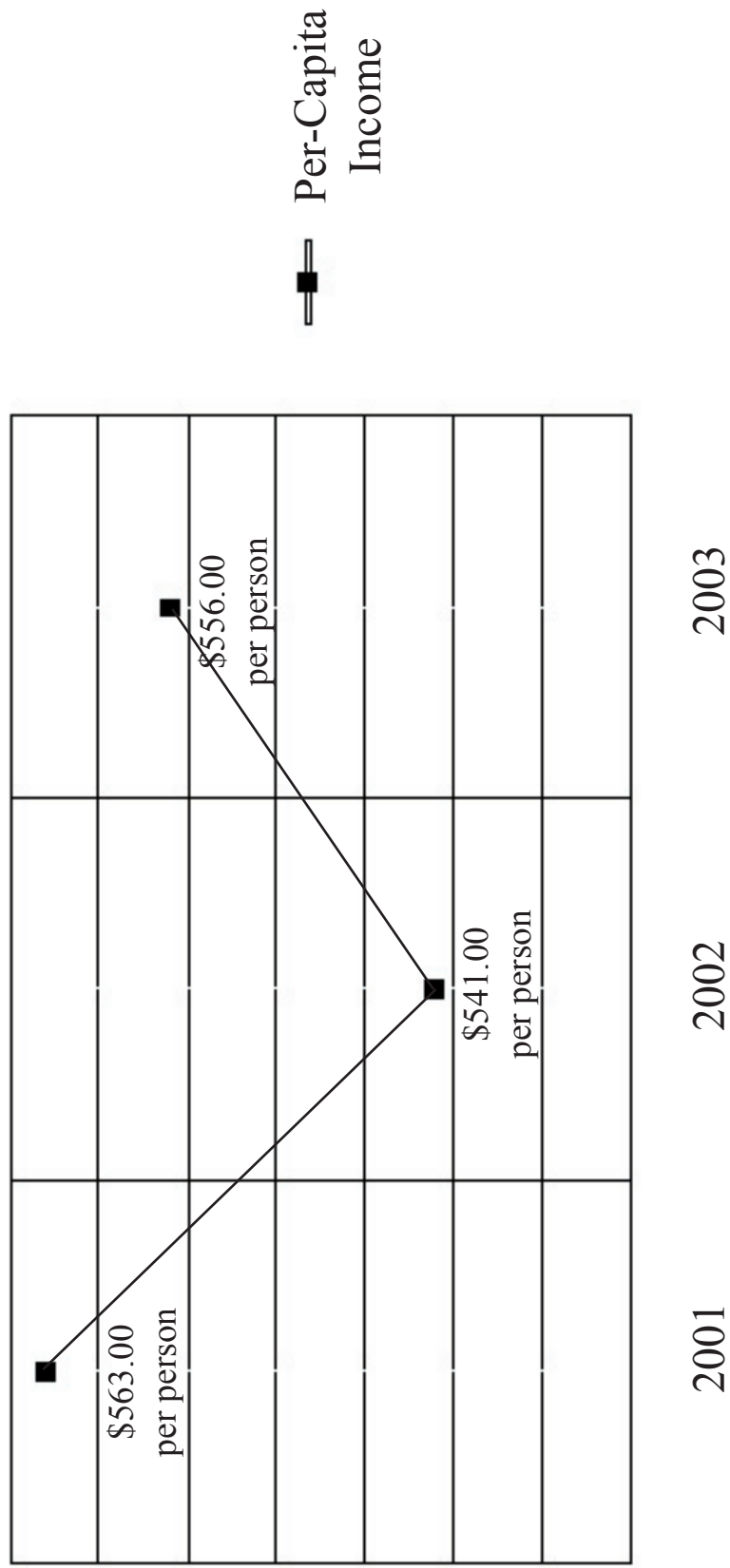
Note: The term "General Government" refers to basic tax-supported functions. The major functions included in this category are: Police, Fire, Streets and Traffic Operations, Parks and Recreation, Library and Code Administration services. These functions use about 75% of General Government revenues. Other administrative services include Information Systems (i.e. computer support), Legal, Finance, and Human Resources -- services necessary for any organization to function.

Figure II-5

# “General Government” Resources

(On a Per-Capita Basis)

Overall Decrease of 2.7% Since 2001



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## **Expenditures - General Government:**

The following chart depicts the breakdown of the proposed 2005 general government expenditure budget. This breakdown identifies that the City spends over 62% (or approximately \$31.3 million) of its available resources on providing public safety services (Police, Municipal Court, Fire, 9-1-1 Calltaker and Dispatch services). Additionally, the City allocates over 9% of its resources to maintaining and operating the Streets and Traffic Systems and another nearly 8% to provide Parks and Recreation programs and services. Providing the existing services in these four basic categories takes nearly 80% of all the City's available general government resources.

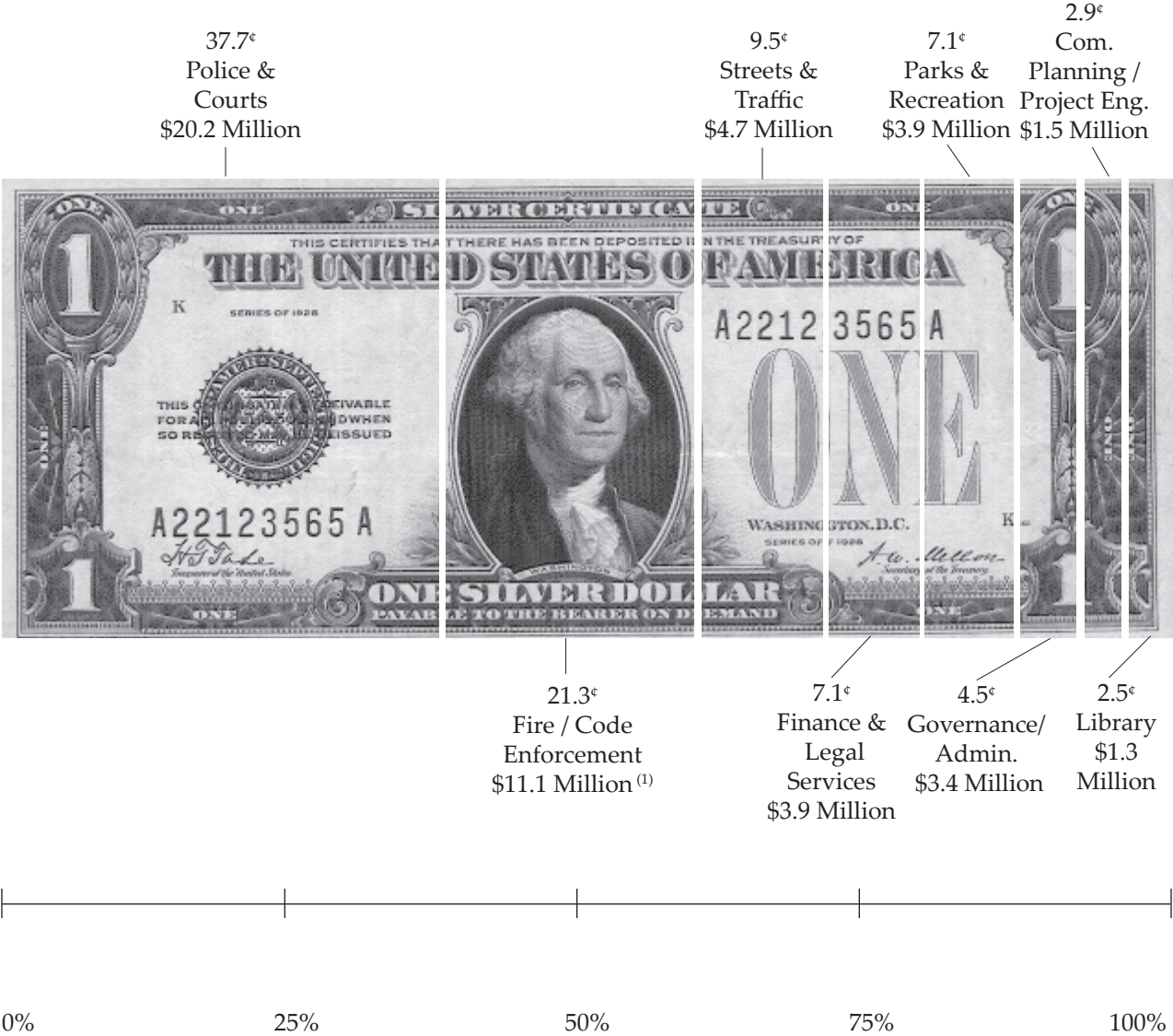
Providing the services in these four critical areas is labor intensive; approximately 76% of these costs are personnel related. Therefore, any significant budget reductions in these areas will require a reduction in personnel and the related services these individuals perform. Conversely, any significant reductions in the overall general government budget that does not include these four largest areas of the budget will severely limit the services the remaining departments will be able to provide (i.e.: Finance and Legal, Community Planning and Project Engineering; Administration and the Library).

Breaking down the City's general government budget by these major service areas and identifying the percentage of each available dollar that the City allocates to each of these areas provides the reader with a visual picture of where the focus and priorities of the City have been placed. Additionally, this chart will assist the reader in understanding the difficult challenges facing the City should it become necessary to implement a significant reduction in the City's proposed budget without affecting the public safety budget and services.

Figure II-6

**General Government Expenditures**

(Based on 2005 Budget of \$48.6 Million)



(1) Includes Fire pension and benefit costs (of 1.5 Million) which are not classified as general government expenditures but are included here to reflect the full costs of fire services

## **Allocation of Expenditures:**

Following is a detailed analysis of the City of Yakima's local tax structure. This analysis shows the various sources of City revenue and identifies what type of services these revenues will fund in 2005. Additionally, this analysis reflects the cost of each of these services to a typical household.

The non tax funding sources identified include all sources except directly levied taxes (shown in the adjacent column) which are property, sales and utility taxes. The non-local tax amounts are made up of direct charges for services, state shared revenues, grants, interfund charges, beginning balances, and other miscellaneous sources.

Municipal public safety services consume the greatest share of local taxes, \$441 per household per year, or 63.4% of the total general taxes paid. Other General Government services cost \$85 per household annually, or 12.19%. Streets and Parks together cost \$104 per household annually, or 15% of general taxes paid.

The utilities combine to cost approximately \$1,061 annually per household. (Many of the costs included in the budgets of the utilities fund State and Federal mandates that local citizens must pay for.)

Table II-4

### Allocation of Taxes and Utility Charges

(Based on 2005 Proposed Budget)

	2005 Proposed Budget (000's)	Non-Tax Funding Sources (000's)	Local Taxes (000's)	Allocation of Taxes Collected	Household Typical Cost <sup>(1)</sup>	2005 Permanent Budgeted Positions
<b>Local Direct General Purpose Tax Supported Functions</b>						
1 Public Safety (Police Fire & Pensions)	\$30,609	\$5,194	\$25,415	63.39%	\$441	298.00
2 General Government	14,392	9,505	4,887	12.19%	85	125.40
3 Streets Department	4,705	1,456	3,249	8.10%	56	34.00
4 Parks Department	3,905	1,163	2,742	6.84%	48	25.47
5 Other Special Revenue Funds	3,409	1,879	1,530	3.82%	27	21.18
6 Debt Service Funds	1,617	789	828	2.06%	14	0.00
7 Capital Project Funds	6,900	5,458	1,442	3.60%	25	0.00
<b>Local Direct Special Purpose Tax Supported Functions</b>						
8 Special Levy Debt	365	65	300	0	8	0.00
9 Transit Division	5,647	1,647	4,000	0	27	45.25
<b>Non-Local Tax Supported Functions</b>						
Street Construction	10,707	10,707	0	0	0	0.00
10 Refuse-17,030 Residential accts	3,541	3,541	0	0	143	19.50
11 Sewer-22,411 Residential accts	26,888	26,888	0	0	512	64.45
12 Water-16,704 Residential accts	9,247	9,247	0	0	194	29.00
Equipment Rental	3,906	3,906	0	0	0	11.85
Public Works Administration	1,045	1,045	0	0	0	9.05
Self-insurance Reserve	3,388	3,388	0	0	0	0.00
Employee Benefit Reserve	7,617	7,617	0	0	0	0.00
13 Irrigation-10,591 Residential accts	5,579	5,579	0	0	194	8.92
Storm Water	683	683	0	0	18	2.25
14 PBIA	36	36	0	0	0	0.00
<b>Totals</b>	<u>\$144,186</u>	<u>\$99,793</u>	<u>\$44,393</u>	<u>0</u>	<u>\$1,792</u>	<u>694.32</u>

(1) Based on 2003 cost for a typical 4 person household: Property tax based on \$100,000 home; Sales taxed based on \$36,000 annual income and \$9,000 taxable purchases; Utilities based on 96gl can for Refuse, 1300 cu. ft. monthly consumption for Water/Sewer; Irrigation for 7,000 sq. ft. lot; storm water charges \$18, Gas/electricity \$1,720, telephone \$547, and cable TV \$480.



## **Tax Burden – Federal vs. Local**

The Tax Foundation of Washington D.C. publishes a *Special Report* each April, called “America Celebrates Tax Freedom Day”. This is when Americans will have earned enough money to pay off their total tax bill for the year. Taxes at all levels of government are included, whether levied by the federal government or state and local governments. Tax Freedom Day in 2004 fell on April 11<sup>th</sup>, which is the earliest in 37 years. Tax Freedom Day was on April 14<sup>th</sup> in 2003 and April 19<sup>th</sup> in 2002.

According to the Foundation’s report the federal tax burden grew lighter in 2004 because of Federal tax cuts. However, if present tax law prevails an upward trend in the tax burden is in the future.

Since 1990 the state and local tax burdens have changed very little. The report indicates that Washington State is ranked 7<sup>th</sup> in the nation for federal per capita taxes paid in 2004. However, it is ranked 21<sup>st</sup> in the nation for state and local taxes per capita. This demonstrates that Puget Sound’s hot economy generated high federal income tax payments. (Some of the wealthiest people in the world live in Washington State.) It also demonstrates how small the state and local tax burden is in comparison to the total taxes paid – at around one-third (34%).

**For the most part, local taxes cost the least and provide citizens with the services they need and care about the most – they have the most direct bearing on their quality of life.** This is also the level where citizens are most empowered to affect government policy and monitor accountability. There are per capita comparisons presented in the Budget, which contrasts the City of Yakima with other similar cities in Washington State. Yakima is consistently below the average in per capita taxes.

### **III. GENERAL GOVERNMENT CONDITION - 2004 In Review**

General Government is the term used to describe basic tax-supported activities, which are included in three funds:

1. General Fund: services provided include; police, fire, code enforcement, planning, library, legal, municipal and district courts, financial services, purchasing, information systems, etc.
2. Parks and Recreation Fund: programs and maintenance.
3. Street Fund: Street & Traffic Operations and maintenance.

Below is an overview of General Government revenue and expenditure estimates for year-end 2004.

**Table III-1**

#### **2004 SUMMARY ESTIMATED REVENUES AND EXPENDITURES**

	<b>General Fund</b>	<b>Parks and Recreation Fund</b>	<b>Street Fund</b>	<b>Total</b>
Actual Beginning Balance	\$5,893,638	\$482,724	\$1,204,826	\$7,581,188
Estimated Revenue	37,615,096	3,772,904	4,404,599	45,792,599
Total Estimated Resources	43,508,734	4,255,628	5,609,425	53,373,787
Less: Estimated Expenditures	38,934,953	3,832,816	4,883,031	47,650,800
Estimated Ending Balance 2004	<u>\$4,573,781</u>	<u>\$422,812</u>	<u>\$726,394</u>	<u>\$5,722,987</u>

#### **General Fund:**

- 2004 year-end revenue estimate is \$37,615,096 -- \$1,603,978 or 4.45% over actual levels for 2003.
- 2004 year-end expenditure estimate is \$38,934,953 -- \$393,489 or 1.00% under the authorized, amended budget of \$39,328,442.

#### **Parks Fund:**

- 2004 year-end revenue estimate is \$3,772,904 -- \$166,137 or 4.60% over the actual levels for 2003.
- 2004 year-end expenditure estimate is \$3,832,816 -- \$96,013 or 2.44% under the 2004 amended budget.

#### **Street Fund:**

- 2004 year-end revenue estimate is \$4,404,599 -- \$22,744 or .51% less than actual levels for 2003.
- 2004 year-end expenditure estimate is \$4,883,031 -- \$254,831 or 4.96% under the 2004 amended budget.

**Table III-2** below provides a breakdown of the anticipated actual performance of General Government budgets by category for 2004. Most of the positive variances and expenditures savings relate to position vacancies and general cost containment measures, (i.e. Police, Fire, Parks and Streets) or timing of project completion (i.e. Information systems).

**Table III-2**

**CITY OF YAKIMA  
GENERAL GOVERNMENT COMPARISON  
2004 BUDGET VS. YEAR-END ESTIMATE**

<b>Fund</b>	<b>2004 Amended Budget</b>	<b>2004 Year-End Estimate</b>	<b>Variance</b>	<b>Year-End Est. as Percent of Budget</b>
Police	\$15,360,523	\$15,053,481	\$307,042	98.0%
Fire	6,917,268	6,803,368	113,900	98.4%
Information Systems	2,816,990	2,723,311	93,679	96.7%
Transfers	1,825,000	1,928,000	(103,000)	105.6%
Police Pension	1,253,722	1,303,543	(49,821)	104.0%
Library	1,414,107	1,414,107	0	100.0%
Legal	1,312,374	1,320,483	(8,109)	100.6%
Code Administration	1,240,812	1,233,618	7,194	99.4%
Financial Services	1,092,647	1,087,928	4,719	99.6%
Utility Services	844,563	843,848	715	99.9%
Engineering	1,033,892	1,033,633	259	100.0%
Municipal Court	850,725	870,551	(19,826)	102.3%
City Manager	464,194	457,959	6,235	98.7%
Probation Center	399,971	395,331	4,640	98.8%
Human Resources	438,752	419,993	18,759	95.7%
Environmental Planning	463,583	463,415	168	100.0%
City Hall Maintenance	351,760	351,107	653	99.8%
Purchasing	206,034	203,375	2,659	98.7%
Records	372,991	364,189	8,802	97.6%
Intergovernmental	172,521	175,376	(2,855)	101.7%
SunDome	151,934	151,934	0	100.0%
City Council	161,959	160,833	1,126	99.3%
State Examiner	101,120	101,120	0	100.0%
District Court	60,000	53,450	6,550	89.1%
Hearings Examiner	21,000	21,000	0	100.0%
<b>Total General Fund</b>	<b>\$39,328,442</b>	<b>\$38,934,953</b>	<b>\$393,489</b>	<b>99.0%</b>
Parks & Recreation	3,928,829	3,832,816	96,013	97.6%
Street & Traffic Operations	5,137,862	4,883,031	254,831	95.0%
<b>Total General Government</b>	<b>\$48,395,133</b>	<b>\$47,650,800</b>	<b>\$744,333</b>	<b>98.5%</b>

Table III-3

**GENERAL FUND THREE YEAR COMPARISON**

	<b>2002 Actual</b>	<b>2003 Actual</b>	<b>2004 Year-end Estimate</b>
Beginning Balance	\$ 6,191,466	\$6,375,216	\$5,893,638
Revenues	34,804,119	36,011,118	37,615,096
Total Resources	\$40,995,585	42,386,334	43,508,734
Expenditures	(34,620,369)	(36,492,696)	(38,934,953)
Ending Balance	<u>\$ 6,375,216</u>	<u>\$5,893,638</u>	<u>\$4,573,781</u>

**GENERAL GOVERNMENT CONDITION - Revenue Trends**

The City receives revenue from many different sources; some revenue is available for any government purpose and some revenue is restricted in use to a specific fund(s) and/or a specific purpose. The sources of revenue that are available for use within the General Government Funds (for general purposes or for a restricted purpose within General Fund, Parks or Street Funds) are listed in Figure III-1 below along with a three year comparison of the amount of revenue received from each source (Table III-4).

For 2005, total General Government revenues are budgeted to be \$46,590,769, only \$798,170 or 1.7% more than the 2004 year-end estimate of \$45,792,599, and total beginning cash reserves are estimated to be \$5,722,987, (\$1,858,201) or (25%) less than the 2004 estimate of \$7,581,188.

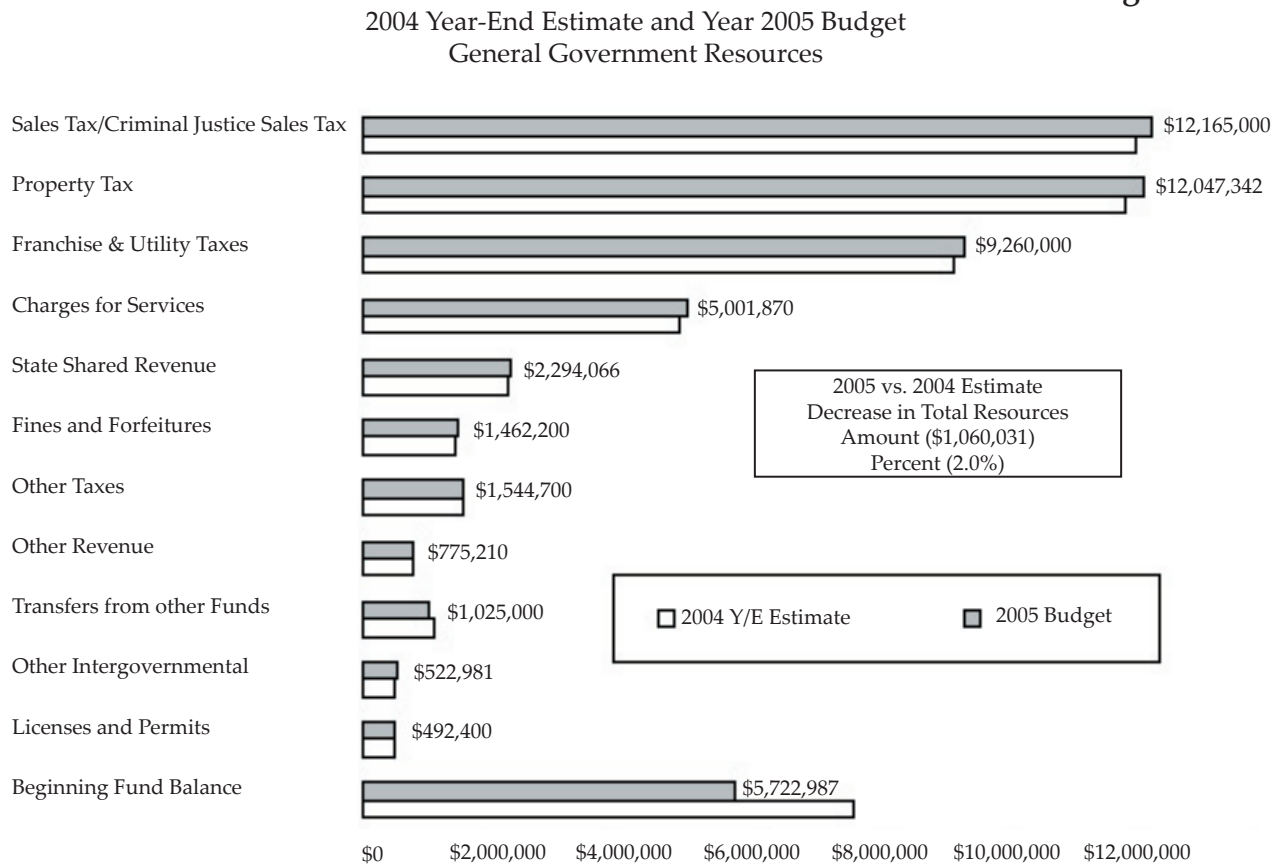
Table III-4

**GENERAL GOVERNMENT THREE YEAR COMPARISON**

Source	2005 vs. 2004						
	2003 Actual	2004 Estimate	Percent Change	2005 Budget	% of 2004 Total	Increase (Decrease)	Percent Change
General Sales Tax	\$11,101,740	\$11,250,000	1.34%	\$11,450,000	24.57%	\$200,000	1.78%
Crim. Justice Sales Tax*	517,715	680,000	31.35%	715,000	1.53%	35,000	5.15%
Property Tax	11,482,913	11,761,629	2.43%	12,047,342	25.86%	285,713	2.43%
Franchise & Util. Taxes	8,700,266	9,122,380	4.85%	9,260,000	19.88%	137,620	1.51%
Charges for Services	4,639,861	4,878,260	5.14%	5,001,870	10.74%	123,610	2.53%
State Shared Revenue	2,191,674	2,233,566	1.91%	2,294,066	4.92%	60,500	2.71%
Fines and Forfeitures	1,396,796	1,430,200	2.39%	1,462,200	3.14%	32,000	2.24%
Other Taxes	1,491,635	1,551,200	3.99%	1,544,700	3.32%	(6,500)	(0.42%)
Other Revenue	348,657	781,104	124.03%	775,210	1.66%	(5,894)	(0.75%)
Transfers from other Funds	968,955	1,097,000	13.21%	1,025,000	2.20%	(72,000)	(6.56%)
Other Intergovernmental	735,330	502,960	(31.60%)	522,981	1.12%	20,021	3.98%
Licenses and Permits	469,716	504,300	7.36%	492,400	1.06%	(11,900)	(2.36%)
Total Revenue	\$44,045,258	\$45,792,599	3.97%	\$46,590,769	100.00%	\$798,170	1.74%
Beginning Fund Balance	8,209,787	7,581,188	(7.66%)	5,722,987		(\$1,858,201)	(24.51%)
Total Resources	\$52,255,045	\$53,373,787	2.14%	\$52,313,756		(\$1,060,031)	(1.99%)

\* Some Criminal Justice Sales Tax is allocated to the Law and Justice capital Fund (a non-general Government Fund) for capital needs. ( See section IV 1b. for details.)

**Figure III-1**



### **General Sales Tax** (Single largest revenue source for General Fund)

- 2005 revenue projection is \$11,450,000 -- \$200,000 or approximately 1.78% more than the 2004 year-end estimate of \$11,250,000. This modest growth is being projected as a function of inflation.

Even after factoring in an increase generated by the newly annexed areas beginning in 2002, sales tax adjusted for CPI changes continues a disturbing flat or downward trend that began in 1998. (See Figure III-7 for CPI Adjusted dollars) There are several factors contributing to this trend:

- Low agricultural commodity prices combined with a slow growth of non-agricultural diversification.
- The full effects of welfare reform reducing transfer payments and thus -- disposable income.
- Double-digit unemployment for much of the year.

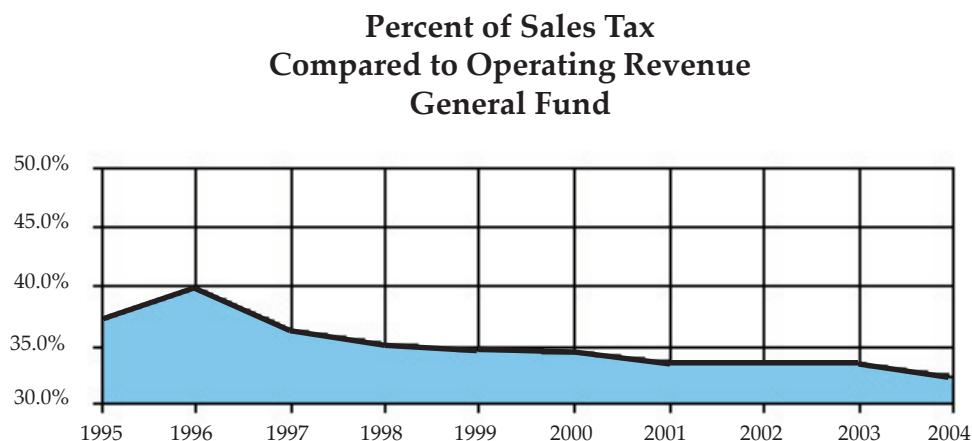
- The departure of major retail stores from within the City limits to a neighboring community.
- The recession of the national economy and diminished consumer confidence.
- The growing impact of untaxed internet sales.

Should this important revenue source not improve, it could contribute to greater reductions in services to our citizens.

Of the 7.9% sales and use tax collected within the City, the City of Yakima receives 0.85% (or about 10.7% of the total). The General Government Funds receive the full amount of the City's share of general sales tax revenues. (Note: the City also receives 0.3% sales tax revenues which are restricted for transit purposes and a portion of 0.1% sales tax revenues which are restricted for criminal justice purposes -- refer to Section II for more information.)

The following chart identifies Yakima's sales tax revenues as they relate to the total General Fund operating revenues (excluding inter-fund transfer revenues). This revenue is very sensitive to economic conditions. As the graph below (Figure III-2) shows, eight years of flat sales tax receipts has slightly reduced dependence on this source of revenue for General Fund, as other revenue sources such as utility and property tax have grown only slightly. Additionally, the passage of I-745 has severely restricted Property Tax revenues, requiring more dependence on other revenue sources, which are scarce. General Fund cannot continue to operate at current service levels and current inflation rates without growth in its Sales Tax revenue.

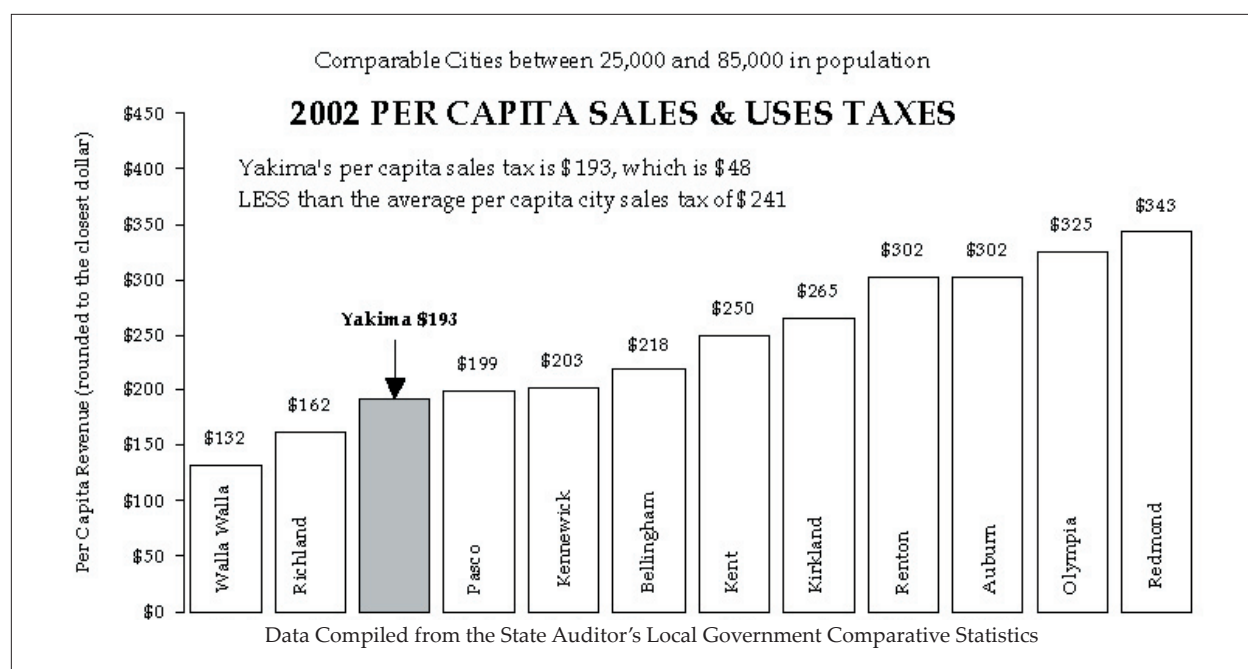
**Figure III-2**



## Comparison of per capita Sales Tax with other Washington State Cities

The City's sales tax per capita is compared with 11 other comparable cities throughout the State (see Figure III-3 below). The data was compiled from the State Auditor's Office statistics. Although sales tax revenue is the City's largest single source of General Government revenue, the City's collections are the third lowest out of the 12 comparable cities. The City of Yakima's per capita sales tax is \$193; lower than 75% of the cities compared. Additionally, Yakima is the only community listed that has a voter approved Transit sales tax. The revenues generated from the Transit Sales Tax are restricted to providing transit and related services within the City of Yakima. If Transit revenues are excluded from the comparison with other cities (to provide a better comparison of unrestricted revenues), Yakima's sales tax rate drops to approximately \$142 per capita, the second lowest of the 12 cities compared.

Figure III-3



### 1. Criminal Justice Sales Tax

A special 0.1% Criminal Justice Sales Tax was approved by the voters of Yakima County in the November 1992 General Election and became effective January 1, 1993. Of the 7.9% sales and use tax collected within the City, 0.1% is collected to support criminal justice services within the County. The State allocates the 0.1% criminal justice sales tax revenues between the City and the County, based on a predefined formula. The General Fund and the Law and Justice Capital Fund receives the full amount of the City's share of these sales tax revenues; these revenues are restricted to providing criminal justice related services, and are allocated based on operating vs. capital needs.



This tax is expected to generate \$790,000 for the City in 2005, and is allocated in the City's budget forecast as noted below:

<b>Fund</b>	<b>2003 Actual</b>	<b>2004 Year-End Estimate</b>	<b>2005 Budget Forecast</b>
General Fund	\$517,715	\$680,000	\$715,000
Law & Justice Capital	250,000	100,000	75,000
<b>Total</b>	<b>\$767,715</b>	<b>\$780,000</b>	<b>\$790,000</b>

Since population is a component of the tax distribution, the annexation had a positive influence on this revenue in 2003. This tax revenue is affected by the same regional economic factors that affect the General Sales Tax revenue, as outlined above.

## **2. Property Tax**

The 2005 projection includes a proposed 1% increase in the property tax levy, plus a modest 1.4% growth factor for new construction and enhanced tax collections.

The 2005 request complies with the levy limit restrictions contained in Initiative 747; limiting property tax levy increases to the maximum of 1% or the rate of inflation, whichever is less (note: the initiative defines the rate of inflation as measured by the Implicit Price Deflator for consumer goods). Under the initiative, the City could increase the levy by more than 1% if approved by the majority of voters.

As a point of clarification, the property tax levy is limited to a 1% increase in the dollars levied (about \$133,000 for 2005) - it does not limit growth in assessed value. The 1% limit affects the total dollars levied by the government, while assessed valuation is the mechanism used to allocate the levy ratably among the property owners

Negotiated wage and benefit settlements for public safety employees for 2004-2005 totaled more than \$446,000, surpassing the legally allowed increase in the property tax levy. This 1% restriction on growth will have an adverse effect on all of General Government functions that will grow exponentially worse as time passes. Coupled with the depressed economy and constraints on other revenue sources that are directly related to economic activity, further City budget reductions might be necessary, causing diminished capacity of the City to deliver critical services to its citizens.

Since most consumer activity (i.e., wages, equipment, etc.) is more closely tied to the Consumer Price Index (CPI), and CPI is greater than 1% in almost all years, the future effect of 1% or less growth in Property Tax is restrictive to the City since Property Tax is one of General Government's primary revenue sources.

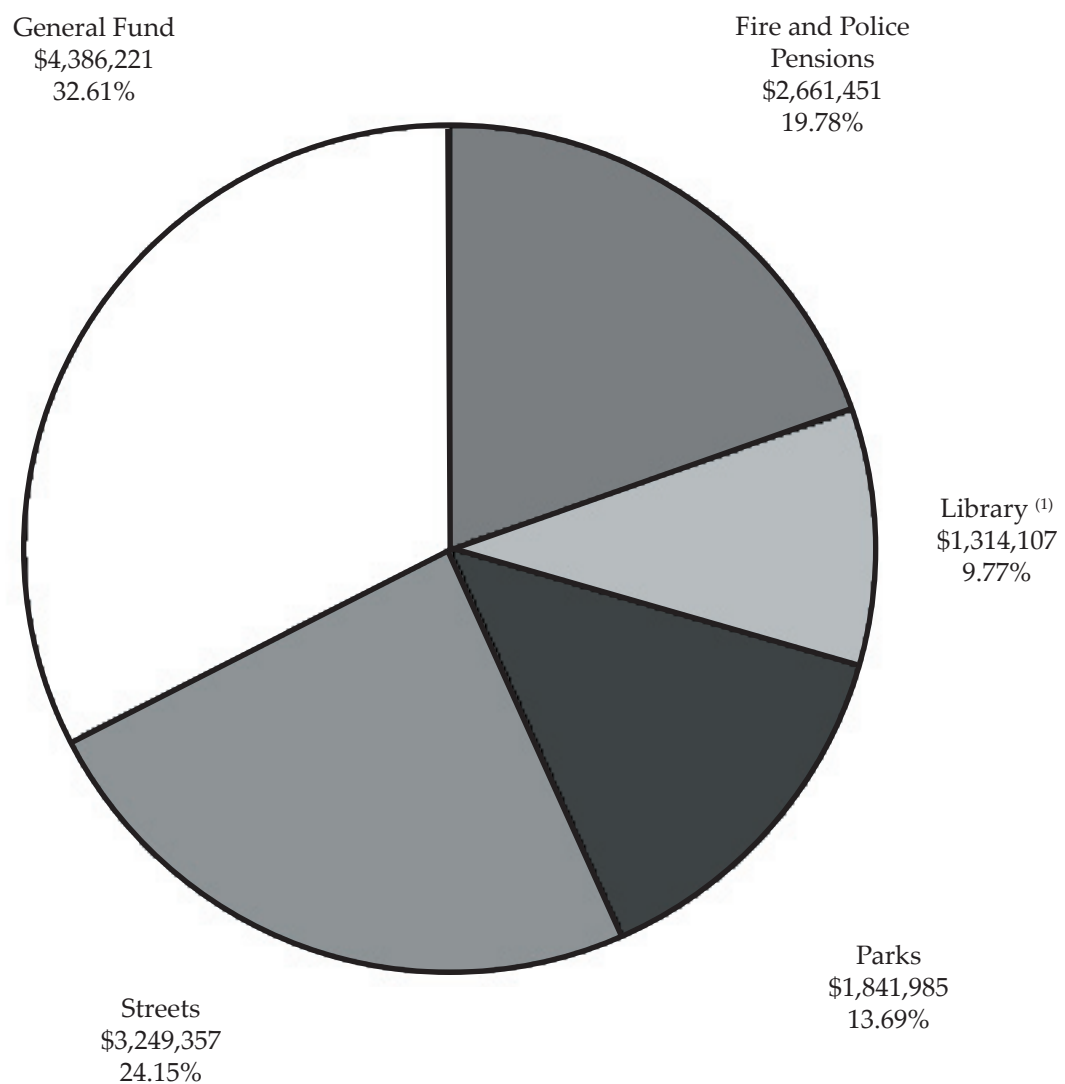


Property taxes provide for 26% of all General Government revenue, which excludes the Firemen's Relief and Pension costs. The graph below depicts the allocation of the City's property tax revenues.

**Figure III - 4**

**Property Tax Allocation by Function  
2005 General Levy**

Property Tax Total -- \$13,453,121



(1) Reflects 7% decrease from 2004.

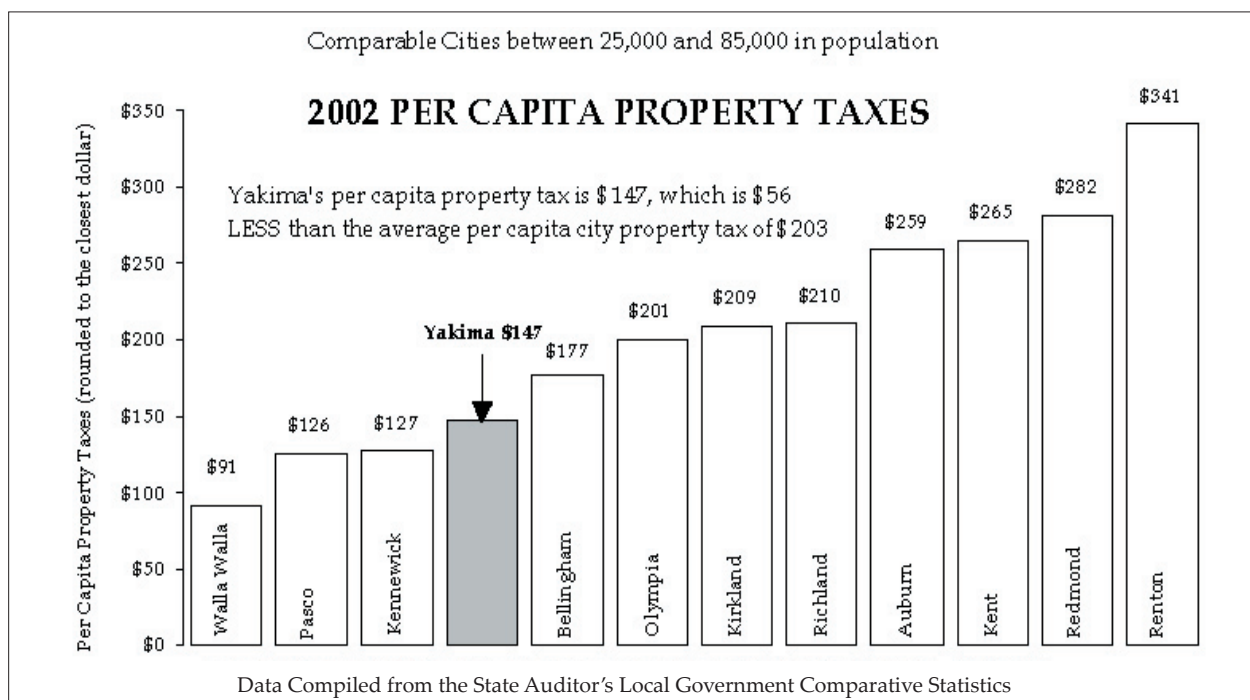
Table III - 5

**2005 PROPOSED  
GENERAL PROPERTY TAX LEVY**

	2003 Actual	2004 Year-End Estimate	2005 Budget Projection	2004 vs. 2005
General	\$5,055,799	\$5,319,893	\$5,641,893	6.1%
Library	1,400,115	1,414,107	1,314,107	(7.1%)
Parks & Recreation	1,841,750	1,841,985	1,841,985	0.0%
Streets/Traffic	3,185,249	3,185,644	3,249,357	2.0%
Sub-Total -- General Government	11,482,913	11,761,629	12,047,342	2.4%
Firemen's Relief and Pension	1,364,889	1,378,215	1,405,779	2.0%
<b>Total</b>	<b>\$12,847,802</b>	<b>\$13,139,844</b>	<b>\$13,453,121</b>	<b>2.4%</b>

The City has compiled data from the State Auditor's Office that identifies per capita property tax for comparable cities throughout the State. The following chart (Figure III - 5) compares the City's per capita property tax income for 2002 (the last year information is available). It shows the City of Yakima's property tax per capita is \$147, which is \$56 less than the average of all the comparable cities. Yakima ranks fourth lowest in tax per capita of the 12 comparable cities (see chart below).

Figure III - 5



### 3. Franchise and Utility Taxes

Franchise and utility taxes are collectively the third largest category of General Government revenues. They comprise 19.9% of 2005 projected General Government revenues and 24.4% of projected 2005 General Fund Revenues.

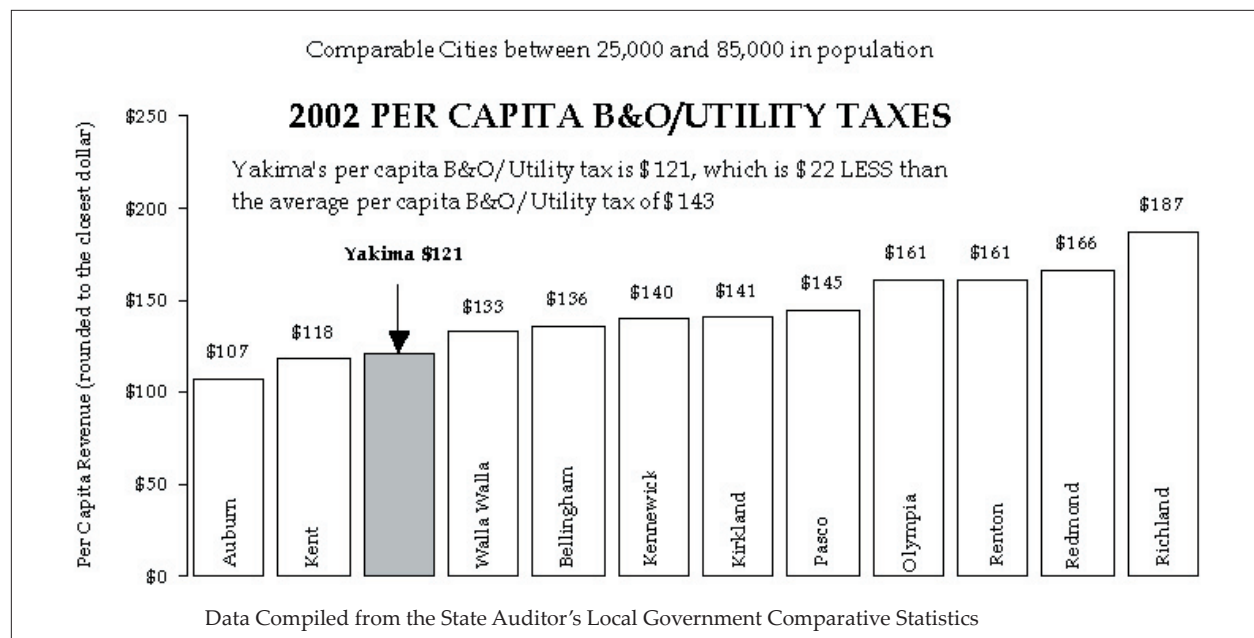
- 2005 projection is \$9,260,000 -- \$137,620 or 1.51% above the 2004 year-end estimate of \$9,122,380.

These revenues are largely a function of weather conditions and utility rates in the Valley. Franchise and utility taxes are the only major revenue source currently keeping up with the rate of inflation. With the passage of I-747, and continuing flat sales tax revenue, revenue growth from the City's three main revenue sources will be inadequate to support existing programs and services in the future.

Figure III-6 (per capita business and occupation/utility tax) represents business license fees, Business and Occupation (B & O) tax, and utility taxes on private and public utilities. Note: Yakima does not impose a general-purpose business and occupation tax, which is generally charged on the gross volume of sales incurring in applicable cities.

Yakima's \$121 per capita B & O/Utility Tax ranks third lowest of the 12 cities in this comparison. This is \$22 below the \$143 average per capita revenue.

Figure III - 6



#### **4. Charges for Services**

This revenue category consists of revenues from probation program fees, various parks and senior citizen programs, plan checking fees, and street and traffic engineering fees, etc. However, the largest component (about half), are fees paid by other City funds for General Fund services (legal, administration, purchasing, etc.); these charges for 2005 reflect a modest increase.

- 2005 projection is \$5,001,870. This is a 2.5% or \$123,610 increase over the 2004 estimate.

#### **5. State-Shared Revenue**

State-shared revenues are the fifth largest category of revenues received for General Government Operations.

- 2005 projection for all revenues within this category is \$2,294,066; an increase of \$60,500 from the 2004 year-end estimate of \$2,233,566.

State funding of certain criminal justice programs has been reduced, based on a predefined State formula which is updated at least once each year.

- Liquor excise and liquor profits taxes are budgeted at \$889,000 for 2005 -- \$44,000 above the 2004 year-end estimate of \$845,000.
- Gas tax in the Street Fund is budgeted at \$1,138,000 for 2005. This is \$16,000 or 1.4% above the 2004 year-end estimate of \$1,122,000. This tax is calculated by the State using population figures from counties. Trends of this tax have historically been fairly flat.

#### **6. Fines and Forfeitures**

2005 projection is \$1,462,200, up \$32,000 or 2.24% from 2004 estimates, (but still below 2002 actuals.) These revenues come primarily from criminal and non-criminal fines assessed in the City of Yakima's Municipal Court, and parking violations. [One parking enforcement officer position has been vacant since 2003, thus reducing this revenue. This position has been removed from the 2005 Budget.] Another dynamic in this revenue is the State re-licensing program which allows drivers who have lost their licenses because of "failure to appear" on certain traffic offenses to pull their fines back from the collection agency, re-obtain their license and establish a new time pay schedule. This will slow down the payment of this certain category of fines.

#### **7. Other Taxes**

This category includes Business Licenses and Gambling Taxes. The 2005 projection is \$1,544,700, up 2.25% from 2004 year-end estimate.

## **8. Other Revenues**

The balance of revenues supporting the general government funds consists of transfers from other funds, licenses and permits, and other miscellaneous sources. For 2005, \$775,210 is expected to be generated in this category.

The largest revenue sources in this category include:

- Interest income: 2005 projection is \$571,000; up approximately \$155,000 from 2004 budget estimates due to anticipation of market recovery in 2005. However, 2004 and 2005 estimated interest earnings will be substantially less than 2002 actual levels.
- Business Licenses, and Permits represent most of the remainder of this category.

## **9. Other Intergovernmental**

This category includes revenue received from Government units other than the State of Washington. The 2005 budget of \$522,981 is virtually unchanged from the 2004 estimate.

### **Revenue Trend - Summary:**

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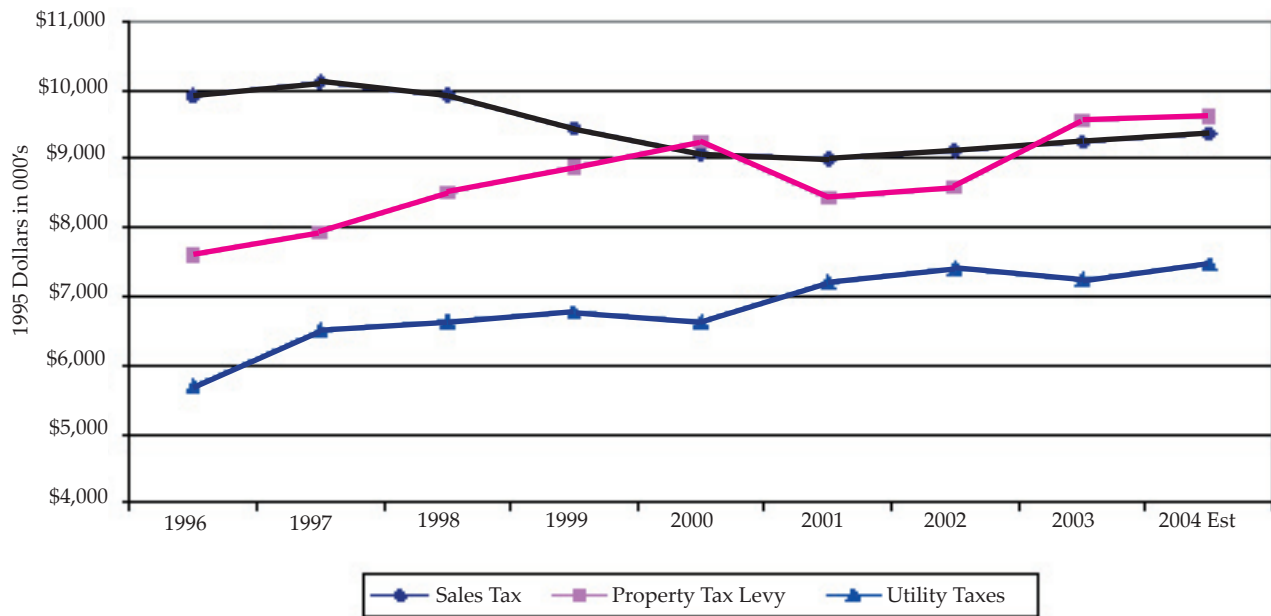
- 2005 projection for all General Government revenue is \$46,590,769; an increase of \$798,170 or 1.74% from the 2004 year-end estimate of \$45,792,599. Based on current expenditure projections a modest use of City reserves of less than 5% is allocated to balance the 2005 General Government Budgets.

This minimal increase in General Government revenues is reflective of a depressed economy, a shrinkage of elastic revenues and existing tax limitations. Flat revenue growth, particularly in elastic revenues like sales tax, continues to be one of the City's greatest challenges in meeting the ongoing service demands of our citizens.

The chart below depicts trends over the past 9 years (in 1996 Constant Dollars) in sales, property and utility tax revenues; the City's three largest General Government revenue sources. Sales tax has exhibited consistent losses since 1997, even though the City boundaries were expanded by a major annexation in 2002. With the passage of Initiative 747, property tax levy growth will be constrained to 1%, which is generally below inflation, although the chart does show an increase in 2003 as a result of the annexation, which brings its constant dollar value back to 2000 levels. The constant dollar trend for utility taxes, is the only General Government revenue source keeping pace with inflation. This means 2 of the 3 major General Government resource are not keeping pace with inflation even after realizing the growth in tax base from the West Valley annexation area. Accordingly, General Government services will have been reduced to stay within existing resources, and in the absence of new revenues, will continue to be reduced.

Figure III - 7

Constant Dollar Sales, Property and Utility Taxes



The following information is illustrated in Table III-6, next page:

General Fund:

- 2005 projected beginning balance is \$4,573,781 -- \$1,319,857 or 22.4% under the 2004 beginning balance, meaning there is dependence on reserves in 2004 to balance the Budget based on year-end estimates.
- 2005 projected revenue is \$38,366,151 -- \$751,055 or 2.0% over the 2004 year-end estimate. Much of this increase is due to annexations and related population growth. Both these events carry with them additional needs for services that must be met with resources that are not growing at acceptable rates.

Parks and Recreation Fund:

- 2005 projected beginning balance is \$422,812 -- \$59,912 or 12.4% under the 2004 beginning balance of \$482,724, again meaning it is necessary to use reserves in 2004 to balance the Budget if year-end estimates are correct.
- 2005 projected revenue is \$3,734,711 -- \$38,193 or 1% under the 2004 year-end estimate.

### Street Fund:

- 2005 projected beginning balance is \$726,394 -- \$478,432 or 39.7% under the 2004 beginning balance of \$1,204,826, meaning there is dependence on reserves in 2004 to balance the 2005 budget if estimates are correct..
- 2005 projected revenue is \$4,464,907 -- \$60,308 or 1.4% over the 2004 year-end estimate.

Total General Government Revenues for 2004 are estimated to be only 3.97% more than 2003 actuals. Total General Government Revenues for 2005 are projected to increase by only 1.74% over 2004 estimates.

Table III - 6

### GENERAL GOVERNMENT THREE YEAR RESOURCE COMPARISON

	2003 Actual Resources	2004 Year-End Estimated Resources	2004 vs. 2003 % Change	2005 Budgeted Resources	2005 vs. 2004 % Change
General Fund Revenues	\$36,011,118	\$37,615,096	4.5%	\$38,391,151	2.1%
General Fund Balance	6,375,216	5,893,638	(7.6%)	4,573,781	(22.4%)
Total General Fund	42,386,334	43,508,734	2.6%	42,964,932	(1.2%)
Parks & Recreation Revenue	3,606,767	3,772,904	4.6%	3,734,711	(1.0%)
Parks Balance	442,959	482,724	9.0%	422,812	(12.4%)
Total Parks	4,049,726	4,255,628	5.1%	4,157,523	(2.3%)
Street & Traffic Fund Revenue	4,427,373	4,404,599	(0.5%)	4,464,907	1.4%
Street & Traffic Beg. Balance	1,391,612	1,204,826	(13.4%)	726,394	(39.7%)
Total Street & Traffic	5,818,985	5,609,425	(3.6%)	5,191,301	(7.5%)
Total Gen. Gov. Revenue	44,045,258	45,792,599	4.0%	46,590,769	1.7%
Total Gen. Gov. Beg. Balance	8,209,787	7,581,188	(7.7%)	5,722,987	(24.5%)
Total Gen. Gov. Revenue	52,255,045	53,373,787	2.1%	52,313,756	(2.0%)

The largest revenue source for the General Government Funds is sales tax. [Yakima is right in the middle in ranking of per capita sales tax compared with similar cities in the State. (Refer to Figure III-3) **However, Yakima is in the lower 1/3 of rankings in all other revenue** comparisons per capita] and is the lowest out of the 12 cities compared in combined per capita revenue. Yakima's \$998 per capita taxes is \$574 below the average of \$1,572 based on 2002 actual data, as demonstrated in Figure 8, below. The most important conclusion from this analysis is that the City of Yakima has a very limited revenue/tax base compared with most cities of its size in the state, and yet provides similar or enhanced services and programs to its citizens.



Figure III - 8

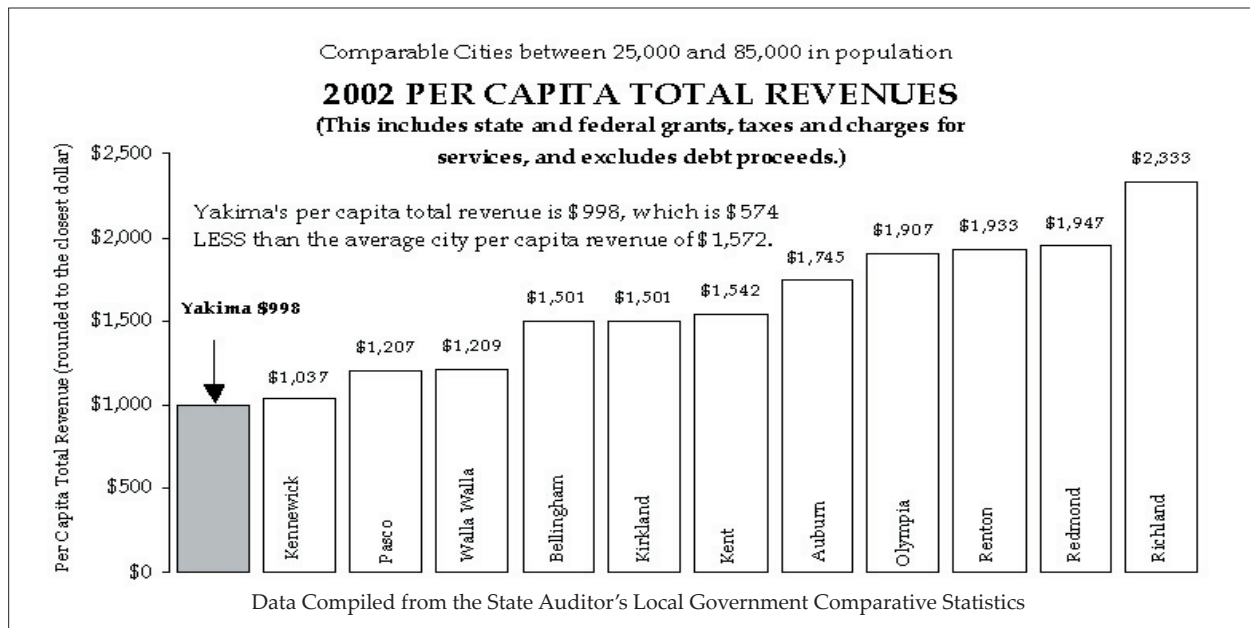


Table III-7

**GENERAL GOVERNMENT RESOURCES BY MAJOR CATEGORY**

	2002	2003	2004	2004	2005	2005 %
	Actual	Actual	Amended Budget	Year-End Estimate	Forecast Budget	Chg. From 2004 Est.
<b>General Fund</b>	1	2	3	4	5	4-5
Property Tax	\$5,422,686	\$6,455,914	\$6,700,293	\$6,734,000	\$6,956,000	3.3
Sales Tax	10,740,603	11,101,740	11,000,000	11,250,000	11,450,000	1.8
Criminal Justice Sales Tax	307,227	517,715	670,000	680,000	715,000	5.1
Franchise Tax	388,097	417,480	418,500	422,380	425,000	0.6
Utility Tax	8,346,624	8,282,786	8,396,000	8,700,000	8,835,000	1.6
Other Taxes	1,360,051	1,490,534	1,510,650	1,551,200	1,544,700	(0.4)
Licenses and Permits	405,856	469,716	419,900	504,300	492,400	(2.4)
Intergovernmental Revenue	1,749,790	1,739,409	1,444,553	1,563,020	1,627,041	4.1
Charges for Services	3,723,722	3,861,959	3,985,577	4,036,127	4,179,710	3.6
Fines and Forfeitures	1,631,877	1,396,796	1,516,290	1,430,200	1,462,200	2.2
Miscellaneous Revenue	614,812	165,927	600,950	450,200	593,100	31.7
Other Financing Sources	2,774	1,143	2,000	1,000	1,000	0.0
Capital Lease Financing	0	0	50,000	147,669	0	n/a
Transfers From Other Funds	110,000	110,000	110,000	145,000	110,000	(24.1)
<b>Total Revenue</b>	<b>\$34,804,119</b>	<b>\$36,011,119</b>	<b>\$36,824,713</b>	<b>\$37,615,096</b>	<b>\$38,391,151</b>	<b>2.0</b>
<b>Beginning Fund Balance</b>	<b>\$6,191,466</b>	<b>\$6,375,216</b>	<b>\$5,026,258</b>	<b>\$5,893,638</b>	<b>\$4,573,781</b>	<b>(22.4)</b>
<b>Total General Fund</b>	<b>\$40,995,585</b>	<b>\$42,386,335</b>	<b>\$41,850,971</b>	<b>\$43,508,734</b>	<b>\$42,964,932</b>	<b>(1.2)</b>



Table III-7 Continued

	2002 Actual 1	2003 Actual 2	2004 Amended Budget 3	2004 Year-End Estimate 4	2005 Forecast Budget 5	2005 % Chg. From 2004 Est. 4-5
<b><u>Parks &amp; Recreation Fund</u></b>						
Property Tax	\$1,726,790	\$1,841,750	\$1,841,985	\$1,841,985	\$1,841,985	0.0
Intergovernmental Revenue	50,503	61,680	33,506	51,506	51,506	0.0
Charges for Services	753,300	702,346	750,290	768,883	765,160	(0.5)
Miscellaneous Revenues	115,975	110,549	127,816	123,530	126,060	2.0
Other Financing Sources	13,870	31,487	20,000	35,000	35,000	0.0
Transfers From Other Funds	794,175	858,955	862,000	952,000	915,000	(3.9)
<b>Total Revenue</b>	<b>\$3,454,613</b>	<b>\$3,606,767</b>	<b>\$3,635,597</b>	<b>\$3,772,904</b>	<b>\$3,734,711</b>	<b>(1.0)</b>
<b>Beginning Fund Balance</b>	<b>\$439,135</b>	<b>\$442,959</b>	<b>\$406,044</b>	<b>\$482,724</b>	<b>\$422,812</b>	<b>(12.4)</b>
<b>Total Parks &amp; Recreation Fund</b>	<b>\$3,893,748</b>	<b>\$4,049,726</b>	<b>\$4,041,641</b>	<b>\$4,255,628</b>	<b>\$4,157,523</b>	<b>(2.3)</b>
<b><u>Street and Traffic Operations Fund</u></b>						
Property Tax	\$2,963,180	\$3,185,249	\$3,185,644	\$3,185,644	\$3,249,357	2.0
County Road Tax	367,590	1,101	0	0	0	0.0
Fuel Tax Street	1,156,907	1,125,915	1,119,000	1,122,000	1,138,000	1.4
Other Intergovernmental	0	0	500	0	500	0.0
Charges for Services	20,648	75,556	37,000	73,250	57,000	(22.2)
Miscellaneous Revenue	43,342	21,580	20,050	17,793	20,050	12.7
Other Financing Sources	17,320	17,971	0	5,912	0	n/a
Transfers From Other Funds	0	0	0	0	0	n/a
<b>Total Revenue</b>	<b>\$4,568,987</b>	<b>\$4,427,372</b>	<b>\$4,362,194</b>	<b>\$4,404,599</b>	<b>\$4,464,907</b>	<b>1.4</b>
<b>Beginning Fund Balance</b>	<b>\$1,126,130</b>	<b>\$1,391,612</b>	<b>\$772,419</b>	<b>\$1,204,826</b>	<b>\$726,394</b>	<b>(39.7)</b>
<b>Total Street and Traffic Operations Fund</b>	<b>\$5,695,117</b>	<b>\$5,818,984</b>	<b>\$5,134,613</b>	<b>\$5,609,425</b>	<b>\$5,191,301</b>	<b>(7.5)</b>
<b>Total General Government</b>	<b>\$50,584,450</b>	<b>\$52,255,045</b>	<b>\$51,027,225</b>	<b>\$53,373,787</b>	<b>\$52,313,756</b>	<b>(2.0)</b>
<b>Total Revenue</b>	<b>42,827,719</b>	<b>44,045,258</b>	<b>44,822,504</b>	<b>45,792,599</b>	<b>46,590,769</b>	<b>1.7</b>
<b>Total Beginning Fund Bal</b>	<b>7,756,731</b>	<b>8,209,787</b>	<b>6,204,721</b>	<b>7,581,188</b>	<b>5,722,987</b>	<b>(24.5)</b>
<b>Total Resources</b>	<b>\$50,584,450</b>	<b>\$52,255,045</b>	<b>\$51,027,225</b>	<b>\$53,373,787</b>	<b>\$52,313,756</b>	<b>(2.0)</b>

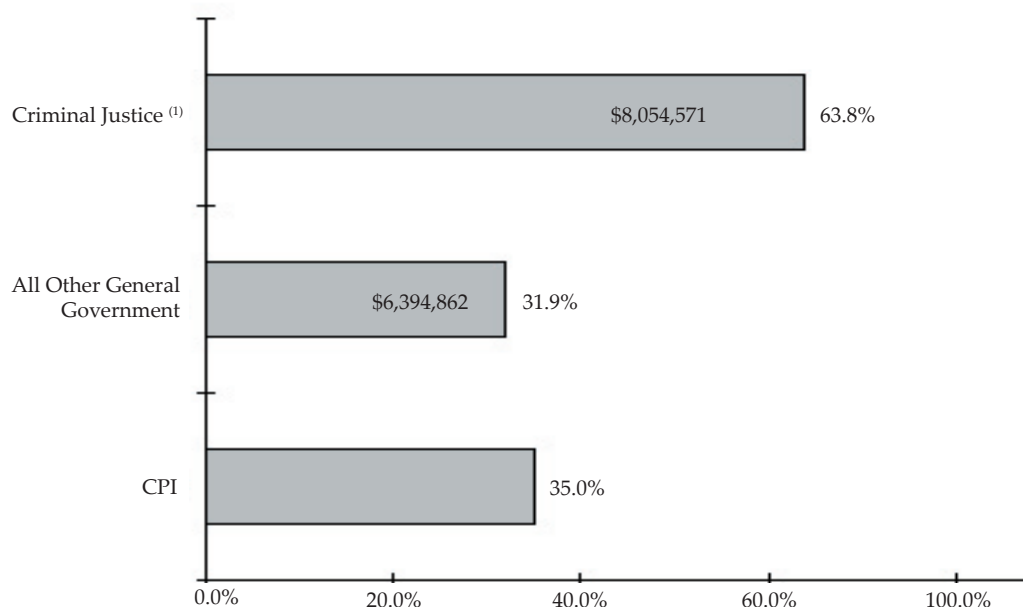
### **GENERAL GOVERNMENT CONDITION - Expenditure Trends**

Figure III-9 and III-10, which follow, depict the major effect on the General Fund of the increase in criminal justice costs compared to all other cost increases from 1994 to 2004.

Criminal justice costs continue to consume an ever-increasing share of total General Fund resources. In order to pay these costs other General Fund programs are necessarily limited to remain within available resources. See Exhibit III for more information.

**Figure III - 9**

**Percentage Increase of Criminal Justice Costs  
vs. Other General Government Functions and CPI  
1995 Budget to 2005 Budget**



(1) Includes Police Operations; Pensions; Public Safety Communications; Jail Costs/Security; District and Municipal Court; Prosecution and Indigent Defense; and 40% of Information Systems

Cumulatively, over the past eleven years Criminal Justice budgets have increased over 63.8%. By comparison, all other General Government expenses have increased by only 31.9% During this same ten year period the Seattle-Tacoma Consumer Price Index also increased by 35.0%. Accordingly, City Criminal Justice spending has nearly doubled the increase in the CPI over the past eleven years; most other City General Government service budgets are now less than the cumulative CPI index, the result of the cost containment measures over the past several years.

When the increase in population and boundaries are considered over this same time frame, the fact that other services are still below inflation demonstrates a real reduction in service costs per capita.

### **Criminal Justice Funding**

As of January 2000 the City no longer receives State Motor Vehicle Excise Tax revenues for Law and Justice programs, and State Criminal Justice funding is slowing. This stretches all other "General Revenue" to pay for these programs. Table III-8 below depicts the growth in Law and Justice operations costs for 2003, 2004 estimate and 2005 budget.

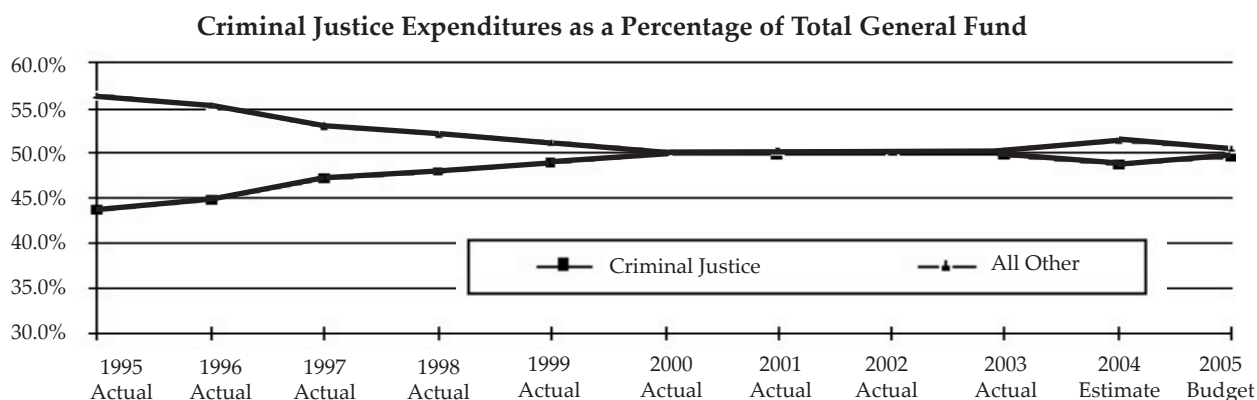
Table III - 8

**Schedule of Criminal Justice Expenditures  
For the Years Ended December 31, 2003 thru 2005 Forecast**

Description	2003 <u>Actual</u>	2004 <u>Estimate</u>	2005 <u>Forecast</u>	%Change <u>2005 from 2004</u>
<b>Police Operations &amp; Administration</b>				
Salaries & Benefits	\$9,936,360	\$10,710,729	\$11,412,575	6.55%
Supplies & Other	2,385,322	2,224,432	2,166,832	-2.59%
<b>Total- Police Ops.</b>	<u>12,321,682</u>	<u>12,935,161</u>	<u>13,579,407</u>	4.98%
<b>Outside/Inside Jail Costs</b>				
Salaries & Benefits	716,580	856,794	919,117	7.27%
Care & Custody	1,358,204	1,261,525	1,325,000	5.03%
<b>Total-Jail Costs</b>	<u>2,074,784</u>	<u>2,118,319</u>	<u>2,244,117</u>	5.94%
<b>District Court/Municipal Court &amp; Probation</b>				
Salaries & Benefits	1,005,106	1,016,671	1,069,073	5.15%
Other	357,666	302,662	297,953	-1.56%
<b>Total Court</b>	<u>1,362,772</u>	<u>1,319,333</u>	<u>1,367,026</u>	3.61%
<b>Prosecution Costs/Indigent Defense</b>				
Salaries & Benefits	440,032	446,050	487,056	9.19%
Supplies & Other	261,332	319,030	303,089	-5.00%
<b>Total</b>	<u>701,364</u>	<u>765,080</u>	<u>790,145</u>	3.28%
<b>Other Related Expenses</b>				
Police Pension	1,134,006	1,303,543	1,255,672	-3.67%
Emergency Dispatch Transfer	405,000	405,000	405,000	0.00%
Transfer-Law & Justice Center *	114,170	126,000	129,000	2.38%
<b>Total</b>	<u>1,653,176</u>	<u>1,834,543</u>	<u>1,789,672</u>	-2.45%
<b>Totals</b>	<u><u>\$18,113,778</u></u>	<u><u>\$18,972,436</u></u>	<u><u>\$19,770,367</u></u>	4.21%

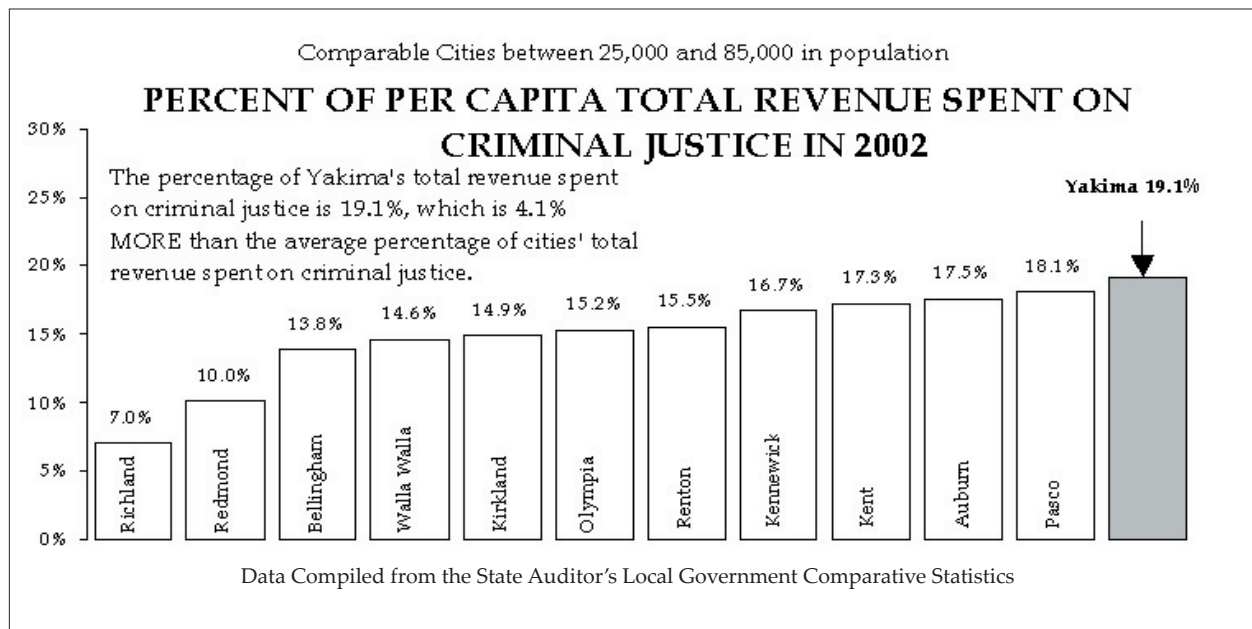
\*Utility Tax transfer from General Fund.

Figure III - 10



The following chart (Figure III-11) compares per capita criminal justice expenditures with comparable cities based on 2002 data. Yakima has the highest per capita percentage of revenue spent on Criminal Justice among the 12 comparable cities; Yakima has been first for the last five out of six years.

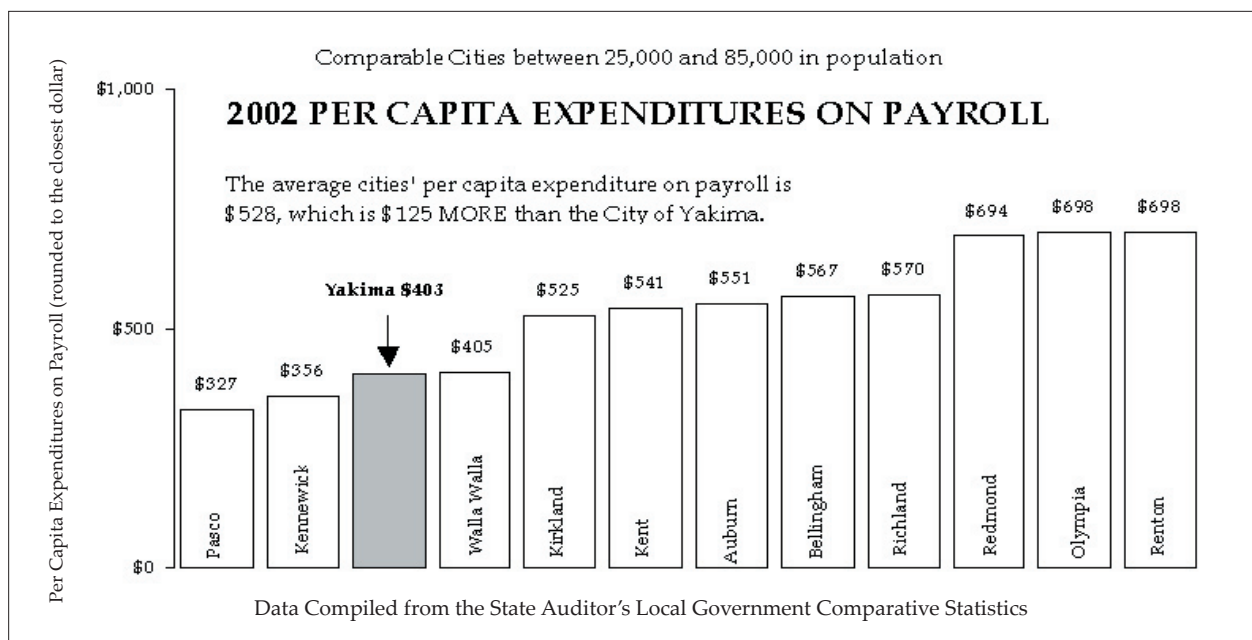
Figure III - 11



## SALARY AND BENEFIT COSTS

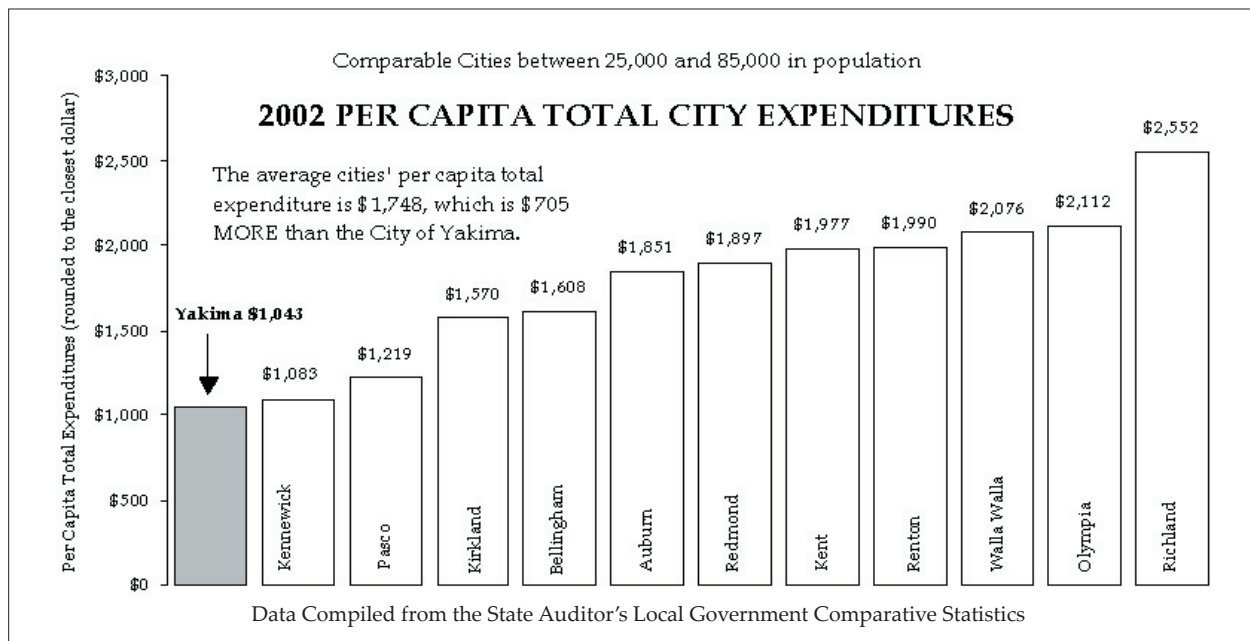
The following graph is based on information gathered by the State Auditor's Office. It identifies the per capita salary costs. This analysis indicates that the City of Yakima spends, on the average, \$125 less per capita on salaries than other comparable cities. Yakima employs fewer people per capita than other cities. To maintain levels of service during periods of peak workload demands, the City uses contract and temporary labor when possible.

Figure III - 12



Finally, total City expenditures per capita are the lowest of the 12 cities compared, \$705 below the average (Figure III - 13). Yakima does offer full services (i.e. Police, Fire, Water, Wastewater, Irrigation, Refuse, and Transit) to its citizens. Even though we provide services that many other cities do not provide, we remain last in cost per citizen, proving Yakima does “more with less” in delivering important services to our constituency.

**Figure III - 13**



### **General Government: Impacts of Fixed, Mandated, Contractual Costs**

**Total General Government Fixed, Mandated or Contractual net cost increases equal \$908,106, an increase of 2.35%.** However, as stated previously, the total General Government operating budget for 2005 is .42% more than 2004 budget. This means that the 2005 budget had to restrain non-mandated spending in order to balance the budget within existing resources.

**Notable 2005 mandated and contractual cost adjustments compared with the 2004 amended budget are as follows:**

- 2005 projected labor costs increases (includes: known and estimated labor settlements, reclassifications, merit increases, and salary and wage adjustments); increases for all General Government labor groups total \$1,013,088 after the elimination of ten vacant positions. Public Safety pay increases accounted for

nearly half of the total pay increases in General Government. The 2005 budget also contains the annualized impact of adding 9 new Firefighter positions in mid-year 2004 to provide full-time fire protection services to the newly annexed area of West Valley

- Fringe benefits such as social security, special pay and industrial insurance for General Government employee groups accounted for a decrease of \$13,998. The decrease was in Industrial Insurance premiums which were reduced \$87,296.
- Overtime is reduced \$116,866 or 8.76%, primarily due a reduction in overtime for both the Streets, the Fire Department and Police.
- The total State Retirement cost increased from \$555,356 in 2004 to \$834,760 in 2005, an increase of \$279,404 or 50.31%. This is because employer contributions to State Retirement Systems for both PERS and LEOFF systems are proposed to increase dramatically (effective July 1, 2005.) The City was only notified of this change September 28, 2004.
- Medical and Dental costs have decreased \$18,837 or .57%, based on the City's group history and expected medical cost trends. Contributions by certain employee groups partially offset the 5% increase in base premiums.
- The Library contribution has been decreased by \$100,000 or 7%, as a cost containment measure.
- Yakima County, Sunnyside, Toppenish and Wapato Jail costs are budgeted at \$1,000,000 for 2005. This is a decrease of \$71,944 from the 2004 jail costs of \$1,071,944. (NOTE: Negotiations with Yakima county on detention services could result in higher 2005 costs as this contract is under review.) Year-end estimates for 2004 are \$955,000, less than the amended budget by \$116,000 due to effective prisoner management between facilities.
- Liability insurance coverage is scheduled to increase \$44,385 or 10%. Claims and purchased insurance premiums are driving this cost.
- Election costs fluctuate based on the number of City issues on the ballot. These costs are projected to decrease by \$94,000 as this is an off-year for local elections.

Overall, Fixed, Mandated or Contractual Costs have increased \$908,106 or 2.35% from 2004 to 2005. (See Table III-9 next page.)

Table III-9

**CITY OF YAKIMA**  
**GENERAL GOVERNMENT**  
**FIXED, MANDATED, AND CONTRACTUAL COSTS**  
**2004 vs. 2005 COMPARISON**

	<b>2004 Amended Budget</b>	<b>2005 Preliminary Budget</b>	<b>Projected Increase (Decrease)</b>	<b>Percent Change</b>
*Salary Increase	\$24,249,841	\$25,262,929	\$1,013,088	4.18%
Overtime	1,333,791	1,216,925	(116,866)	(8.76%)
Special Pay	113,480	159,822	46,342	40.84%
Retirement/Termination Cash-Outs	84,124	133,295	49,171	58.45%
Social Security	1,059,004	1,085,960	26,956	2.55%
State Retirement	555,356	834,760	279,404	50.31%
Industrial Insurance	854,111	766,815	(87,296)	(10.22%)
Life Insurance	46,329	46,834	505	1.09%
Medical and Dental Insurance	3,319,265	3,300,428	(18,837)	(0.57%)
Unemployment Compensation	96,383	100,826	4,443	4.61%
Police Pension	1,253,722	1,255,672	1,950	.016%
Utility Costs: Telephone	132,941	136,060	3,119	2.35%
Electricity	537,752	584,224	46,472	8.64%
Natural Gas	153,149	143,977	(9,172)	(5.99%)
Fuel	400,117	383,118	(16,999)	(4.25%)
Vehicle/Equipment Maintenance	431,356	509,562	78,206	18.13%
Vehicle Rentals/Replacement	400,496	228,496	(172,000)	(42.95%)
Liability Insurance Coverage	443,842	488,227	44,385	10.00%
State Examiner	101,120	103,000	1,880	1.86%
Library	1,414,107	1,314,107	(100,000)	(7.07%)
Yakima County Emergency Mgmt	39,729	40,813	1,084	2.73%
Clean Air Authority	11,409	12,580	1,171	10.26%
Alcoholism	15,200	17,180	1,980	13.03%
Jail Costs - Yakima County	860,000	840,000	(20,000)	(2.33%)
Jail Costs - Sunnyside	86,944	25,000	(61,944)	(71.25%)
Jail Costs - Toppenish	20,000	30,000	10,000	50.00%
Jail Costs - Wapato	105,000	105,000	0	0.00%
SunDome Debt Service	151,934	150,697	(1,237)	(0.81%)
District Court Costs	60,000	45,600	(14,400)	(24.00%)
* Public Defense	219,000	229,701	10,701	4.89%
Election Costs	149,000	55,000	(94,000)	(63.09%)
<b>Total Fixed, Mandated Costs</b>	<b>\$38,698,502</b>	<b>\$39,606,608</b>	<b>\$908,106</b>	<b>2.35%</b>

% of Total General Government  
Amended Budget

79.96%

81.50%

\*Salary costs only. Does not include benefits listed elsewhere in this exhibit.



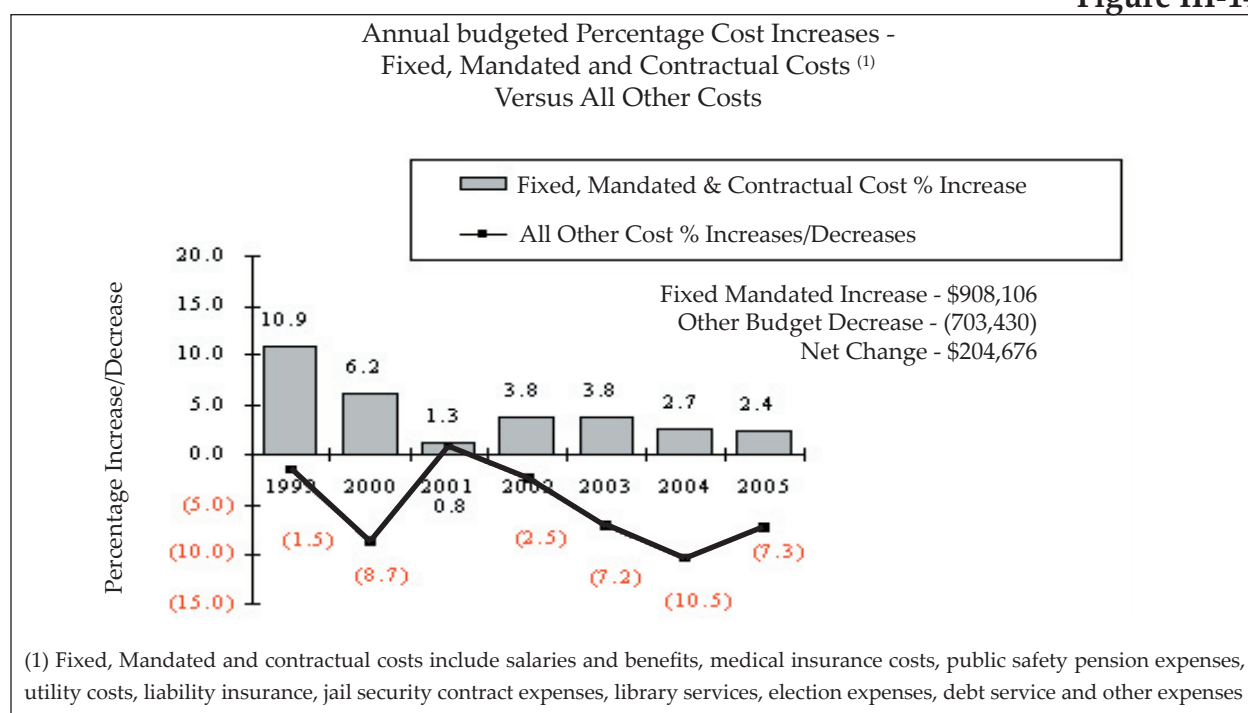
Table III-9

### COMPONENTS OF GENERAL GOVERNMENT BUDGET

	2004 Amended Budget	2005 Budget	Projected Increase (Decrease)	Percent Change
General Government Budget	\$48,395,133	\$48,599,809	204,676	0.42%
Less: Fixed, Mandated and Contractual Costs	(38,698,502)	(39,606,608)	(908,106)	2.35%
Balance (Discretionary Costs)	<u>\$9,696,631</u>	<u>\$8,993,201</u>	<u>(\$703,430)</u>	<u>(7.25%)</u>

Figure III-14, below, graphically depicts that increases in fixed, mandated and contractual costs in the General Government Funds must be compensated for by reductions in other discretionary costs to maintain a balanced budget.

Figure III-14



### General Government Expenditure Summary

Tables III-10 and III-11 illustrate that the total 2005 General Government budget is \$48,599,809, \$204,676 or .42% more than the 2004 amended budget of \$48,395,133.

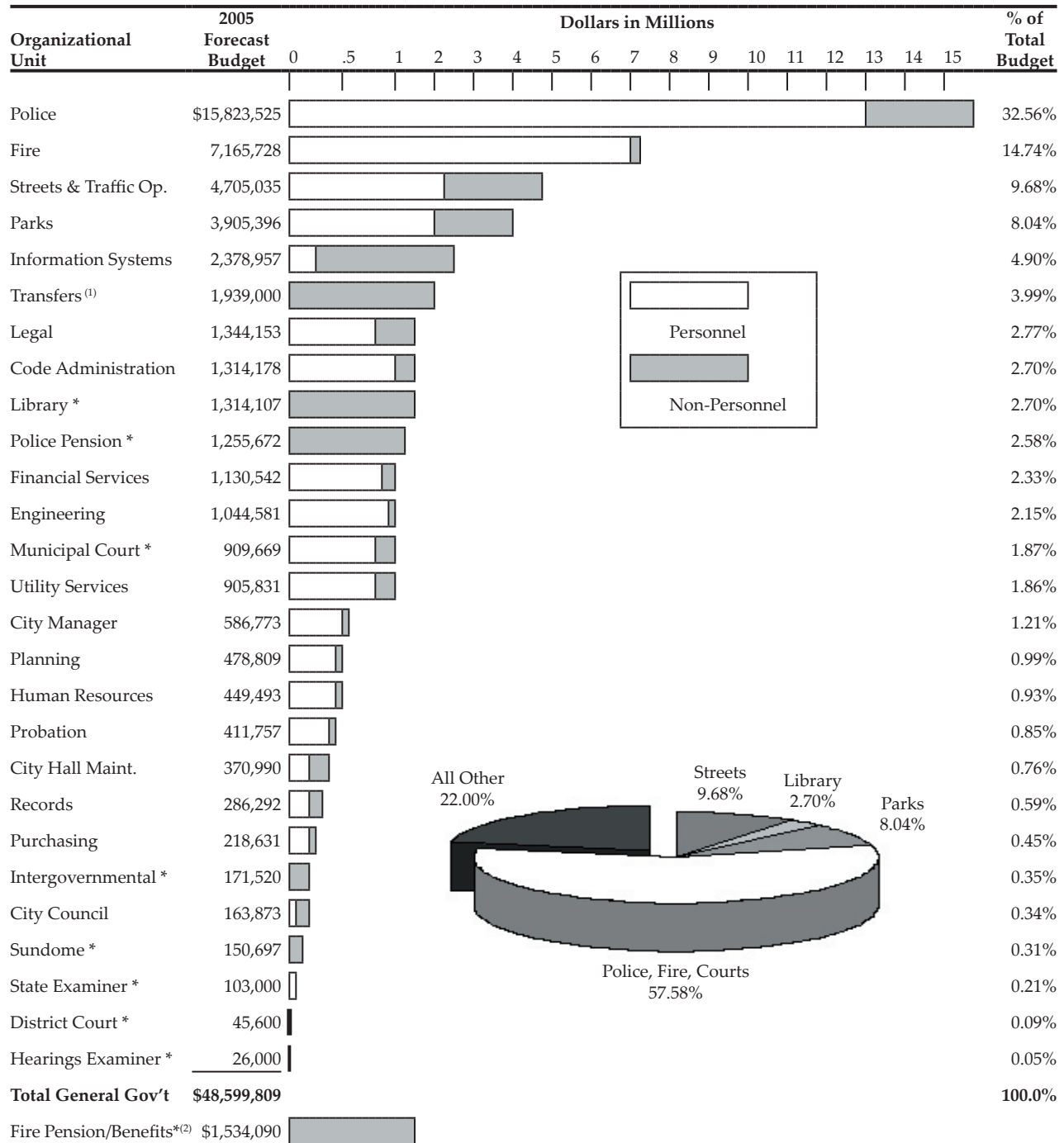
Table III-10

	2004 Amended Budget	2004 Est. Year-End Expenditure	2005 Projected Budget	Dollars	Change 2005 vs. 2004 Percent
General	\$39,328,442	\$38,934,953	\$39,989,378	\$660,936	1.68%
Parks & Recreation	3,928,829	3,832,816	3,905,396	(23,433)	(0.60%)
Street & Traffic Operations	5,137,862	4,883,031	4,705,035	(432,827)	(8.42%)
Total	<u>\$48,395,133</u>	<u>\$47,650,800</u>	<u>\$48,599,809</u>	<u>\$204,676</u>	<u>0.42%</u>



Table III-11

## 2005 General Government Budget



\*Fixed, Mandate or Contractual Costs

(1) Includes \$810,000 transfer to Public Safety Communications.

(2) Fire Pension, although classified as an operating reserves fund, is included here because it is supported primarily with General Government resources.

(3) 57.58% of General Government resources is spent on Public Safety, including police, fire, municipal and districts courts, transfers to public safety communications, and police and fire pensions

## GENERAL GOVERNMENT CONDITION - Revenue and Expenditure Comparison

Table III-12 which follows depicts the City's projected composite ending balance for the year 2005 for General Government funds. This reflects that the General Government budgets are balanced utilizing \$2,009,040 of the estimated beginning fund balance for year 2005. Further, it projects the General Government ending cash for the year 2005 to be \$3,713,947.

- The City's budget guidelines require that for each operating fund:  
(1) dependency on beginning cash balances should not exceed 5% of annual operating expenditures and (2) reserves should be greater than 7% of annual operating expenditures. Note: the City maintains reserves to meet potential revenue shortfalls, emergencies, and unforeseen contingencies.
- Total General Government dependency on cash is 4.1% and cash reserves are projected to be 7.64%; both statistics are within the established guidelines, as noted above.

**Table III-12**

	2005 Projected Revenue	2005 Projected Expenditures	Difference	2005 Estimated Beginning Balance	2005 Estimated Ending Balance
General Fund	\$38,391,151	\$39,989,378	(\$1,598,227)	\$4,573,781	\$2,975,554
Parks & Recreation	3,734,711	3,905,396	(170,685)	422,812	252,127
Street & Traffic Operations	4,464,907	4,705,035	(240,128)	726,394	486,266
<b>Total General Government</b>	<b>\$46,590,769</b>	<b>\$48,599,809</b>	<b>(\$2,009,040)</b>	<b>\$5,722,987</b>	<b>\$3,713,947</b>

## CONTINGENCY BUDGET REDUCTION PLAN (CBRP)

Due to severely restricted revenues projected in the General Government funds, the City Departments were asked to develop a plan to reduce services should it become necessary to do so. Each Department was provided a target reduction goal. In total, General Government Departments were requested to create a plan to reduce \$4.2 million or 10% of the 2004 discretionary budget. This target amount was broken down by level of "severity" into three tiers. Tier 1 targeted reduction is \$1.25 million or 3%; Tier 2 is \$962,000 or 2.3%, and Tier 3 is \$2.0 million or 4.8%. To help balance the City's 2005 budget, \$1.2 million was cut from the budget and portions of the Contingency Reduction Plan was utilized.

Currently, the 2005 budget is balanced within available resources and within budget development guidelines. However, any number of situations could develop that would cause the Contingency Plan to be implemented. Some examples include:

- A reprioritization of programs by City Council.
- Labor negotiations /binding arbitration awards resulting in higher than anticipated settlements
- Future initiatives/legislation that may restrict revenue.
- Additional unfunded mandated expenditures.
- Further deterioration of the local economy.
- Other fiscal emergencies.

The City has responded to resource limitations in recent years brought about by a depressed local economy and initiatives affecting our revenue sources by implementing a number of cost containment measures. The most notable of these actions taken in the past three to five years include:

- Reduced Full-Time Equivalent Employees (FTEs) by 34 in the year following the passage of Initiative 695. FTEs per capita went from .0109 in 1999 to .0087 in 2002, a cumulative decrease of 20.2%, or an **average annual decrease of 6.7%**. In 2005, 10 FTE's in General Government funds were eliminated.
- Reduced Capital Outlay—i.e. extended the service life of equipment or leased on a long-term basis with an option to buy.
- Prioritization of police calls for response, because of reductions in Police staffing levels; established bicycle/motorcycle routes which save fuel/vehicle costs.
- Invested in technology to increase efficiencies in operations and/or minimize risk.
- Service Consolidation where feasible (i.e. eliminated the Planning Manager, and consolidated with Code Administration.)
- Installed automated sprinkler systems in Parks and Cemetery to reduce irrigation frequency and requirements for staff.
- Reduced Travel budgets by 5%--only essential trips, conferences and required training are budgeted.

- Utilized intergovernmental purchasing contracts.
- Negotiated for a freeze in labor costs with all bargaining units in 2001.
- Remained self-insured for Workers Compensation, Unemployment and Medical Dental Insurance.
- Converted some traffic signals to use more energy efficient lighting.
- Expanded Department of Correction (DOC) work crews for basic community clean-up activities.
- Prepare contingency budget reduction options (done annually)
- Eliminated or reduced non-essential programs:
  - Parks and Recreation programs, such as Alley Cats (a youth program to combat graffiti), reduction in the hours of operation for the City pools, and reduction in classes offered
  - Police programs, such as DARE (an anti-drug program for youth), and patrol of certain parks programs
  - Fire volunteer reserve program
  - Street maintenance has been deferred—lengthening the yearly cycle for sealcoating and patching; reduced street sweeping frequency
- Contracted out:
  - Operation of Miller Pool
  - Basic Maintenance for passenger vehicles and pick-ups
  - Building maintenance (Senior Center/City Hall janitorial)

For the 2005 budget, some of the cuts identified in the 2004 Contingency Budget Reduction Plan were used. Additionally, as staff reviewed their budgets other options for reduction were identified, and in some cases these new savings were implemented. When the Budget Strategy Team is done reviewing the CBRP, the plan will be recast to take into account the community's prioritization of services, and should be available as the 2006 budget is being balanced. Following is a summary of the identified budget reductions based on the 2004 budget and grouped by department. This summary also includes the total dollar amount of reductions made for the 2005 budget, regardless of whether they were originally included in the CBRP or were newly identified savings.

City of Yakima  
2005 Budget Process

City Wide Summary

**2004 Contingency Budget Reduction Plan (Updated)**

General Government Department	Total 2004 Budget Eligible for Reduction <sup>(1)</sup>	Tier 1 Proposed Reduction Budget	% Tier 1 vs. 2004 Budget	Tier 2 Proposed Reduction Budget	% Tier 2 vs. 2004 Budget	Tier 3 Proposed Reduction Budget	% Tier 3 vs. 2004 Budget	Tier 1, Tier 2 and Tier 3 Combined	% Combined vs. 2004 Budget	Modified and/or Implemented in 2005	% Savings from 2004 Budget
Police (Incl. Jail Costs)	\$15,020,786	\$258,000	1.7%	\$195,000	1.3%	\$453,000	3%	\$906,000	6%	\$214,494	1.4%
Fire	6,652,368	132,000	2%	66,000	1%	198,000	3%	396,000	6%	20,000	0.3%
Public Works: Streets Parks	4,762,134	273,400	6%	209,000	4%	207,200	4%	689,000	14%	280,416	5.9%
	3,749,317	186,173	5%	149,043	4%	450,000	12%	785,216	21%	123,171	3.3%
Total Public Works	8,511,451	459,573	5.5%	358,043	4%	657,200	8%	1,474,216	17.5%	403,587	9.2%
Finance (Includes Information Systems, Municipal Court & Outside Agencies)	5,041,663	179,736	3.6%	140,936	2.8%	160,000	3.2%	480,672	9.5%	294,213	5.8%
Community & Economic Development	3,086,203	61,650	2%	62,400	2%	124,050	4%	248,100	8%	51,747	1.7%
General City Administration / Legal	2,636,701	51,000	2%	55,000	2.1%	53,000	2%	159,000	6.1%	99,000	3.8%
Library	1,414,107	113,000	8%	85,000	6%	368,000	26%	566,000	40%	113,000	8.0%
Total <sup>(1)</sup>	\$42,363,279	\$1,254,959	3%	\$962,379	2.3%	\$2,013,250	4.8%	\$4,230,588	10.1%	\$1,196,041	2.8%

(1) The total General Government Budget for 2004 is \$46,817,118. This consists of the \$42,363,279 eligible for reduction plus \$4,453,839 of fixed non-discretionary costs. Non-discretionary costs include: Police Pension, Probation, Indigent Defense, State Examiner, Debt Service, District Court, and Utility Customer Services which is supported by Enterprise Funds.

#### IV. OTHER OPERATING AND ENTERPRISE FUNDS

2004 year-end estimates for the City's Other Operating and Enterprise Funds are summarized below (Table IV-1):

Table IV-1

##### 2004 BUDGET STATUS

Fund	2004 Amended Budget	2004 Estimated Actual Exp.	Variance	2004 Estimated Resources	2004 Estimated Ending Balance
Economic Development	\$105,950	\$105,950	\$0	\$220,142	\$114,192
Neighborhood Development (Housing)	3,138,801	2,991,564	147,237	3,577,616	586,052
Telecommunications	523,458	450,211	73,247	1,203,281	753,070
Commute Trip Reduction Fund	32,656	0	32,656	4,329	4,329
Cemetery	312,894	304,825	8,069	362,261	57,436
Emergency Services	1,035,586	998,572	37,014	1,271,622	273,050
Public Safety Communications	2,414,201	2,378,806	35,395	2,570,919	192,113
Parking & Business Improvement (PBIA)	81,336	63,011	18,325	194,281	131,270
Trolley (Yakima Interurban Lines)	17,200	13,320	3,880	27,480	14,160
Front Street Business Improvement	8,000	8,000	0	10,671	2,671
Tourist Promotion	1,071,448	1,065,375	6,073	1,128,421	63,046
Capitol Theatre	183,633	172,230	11,403	220,015	47,785
Public Facilities District	629,000	629,000	0	853,478	224,478
Tourist Promotion Area	130,000	129,534	466	136,534	7,000
Transit	5,271,837	5,156,699	115,138	5,316,493	159,794
Refuse	3,414,526	3,298,147	116,379	3,412,353	114,206
Sewer	14,065,952	14,043,801	22,151	16,879,743	2,835,942
Water	6,035,149	5,817,733	217,416	7,815,084	1,997,351
Irrigation	2,582,818	2,577,986	4,832	3,051,469	473,483
Equipment Rental	4,423,315	4,392,198	31,117	7,806,686	3,414,488
Environmental	118,950	112,950	6,000	343,339	230,389
Public Works Admin.	1,050,839	1,017,431	33,408	1,215,407	197,976
<b>Total</b>	<b>\$46,647,549</b>	<b>\$45,727,343</b>	<b>\$920,206</b>	<b>\$57,621,624</b>	<b>\$11,894,281</b>

All Operating and Enterprise Funds are anticipated to end 2004 with positive fund balances. Appropriation requests approved by Council through September are included in this analysis. At this time, all operating funds are anticipating actual expenditures within authorized levels.

2005 projections for Other Operating and Enterprise Funds expenditures and resources are reflected below in Table IV-2. (Resources include the beginning fund balance plus current year revenue, to arrive at a total available to spend.)

**Table IV-2**

**PROPOSED 2005 BUDGET**

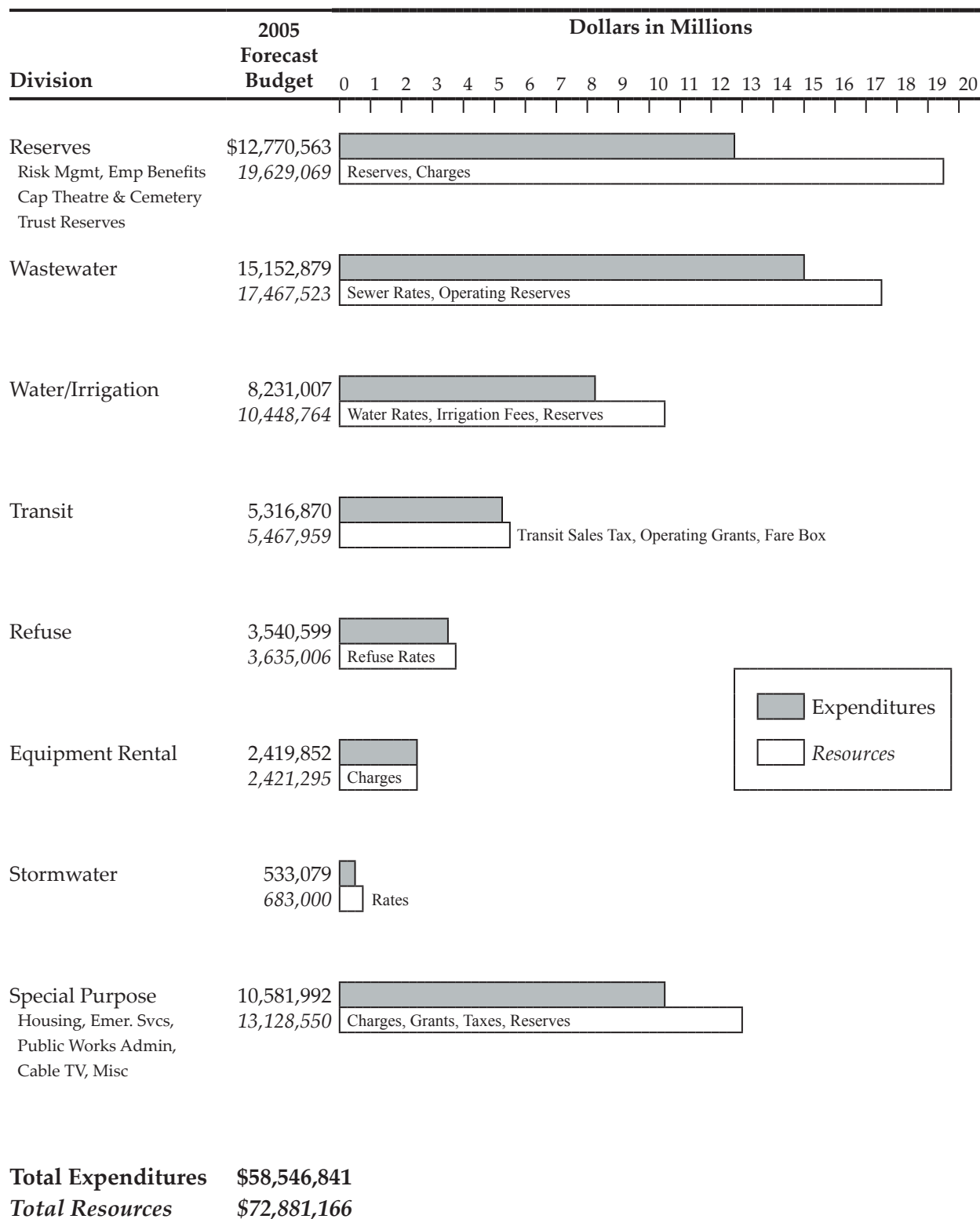
<b>Fund</b>	<b>2005 Projected Resources</b>	<b>2005 Projected Expense</b>	<b>2005 Projected Balance</b>
Economic Development	\$114,392	\$80,950	\$33,442
Neighborhood Development (Housing)	2,996,118	2,414,285	581,833
Telecommunications	1,213,420	594,446	618,974
Commute Trip Reduction Fund	32,576	32,576	0
Cemetery	345,636	286,869	58,767
Emergency Services	1,198,250	965,628	232,622
Public Safety Communications	2,577,206	2,496,944	80,262
Parking & Business Improvement (PBIA)	168,270	33,027	135,243
Trolley	15,435	14,400	1,035
Front Street Business Improvement Area	5,046	3,000	2,046
Tourist Promotion	1,235,346	1,178,006	57,340
Capitol Theatre	320,832	204,930	115,902
Public Facilities District	836,478	679,000	157,478
Tourist Promotion Area	438,511	409,511	29,000
Storm Water Operating	683,000	533,079	149,921
Transit	5,467,959	5,316,870	151,089
Refuse	3,635,006	3,540,599	94,407
Sewer	17,467,523	15,152,879	2,314,644
Water	7,532,301	5,981,869	1,550,432
Irrigation	2,916,463	2,249,138	667,325
Equipment Rental	7,083,805	3,905,592	3,178,213
Environmental	399,889	142,950	256,939
Public Works Administration	1,231,145	1,045,470	185,675
<b>Total Other Operating and Enterprise Funds</b>	<b>\$57,914,607</b>	<b>\$47,262,018</b>	<b>\$10,652,589</b>

See Exhibit I for additional detail of Other Operating and Enterprise Funds.

The following graph (Table IV-3) depicts resources and expenditures for Major Operating and Utility Fund Operations for 2005. (See Exhibit III for policy issues impacting Operating/Enterprise Budgets.)

Table IV-3

## 2005 Restricted Operating & Reserve Funds





- A. The **Economic Development Fund** reflects resources of \$114,392 and expenditures of \$80,950 for 2005. These funds are planned to be used to spur economic development.
- B. The **Neighborhood Development Fund** contains programs funded by Housing and Urban Development (HUD), including the Community Development Block Grant (CDBG) and Homeownership (HOME) grants. Expenditures are budgeted at \$2,414,285 and are subject to the public hearing process. Because of the programmatic nature of the Community Development Budget, along with differences in reporting time frame for Federal programs, from time to time the City budget must be adjusted to reflect the final outcome of prior year programs. The 2005 ending balance is now projected to be \$581,833. This fund helps support the Grants Writer who has been making application for grants based upon the City's eligibility, resulting in several grant awards. Council's priority of economic improvement is also being addressed through the Block Grant program, and an allocation to assist in the irrigation system rebuild is included in this fund.
- C. The **Telecommunications Fund** expects resources of \$1,213,420 for 2005. Expenditures are estimated to be \$594,446, leaving the balance estimated at \$618,974 for year-end, earmarked primarily for capital expenditure on production equipment/cable TV facilities. The 2005 budget includes an allocation of \$60,000 to extend the data communications fiber network to the new Harman Senior Center and the Fire operations at West Valley. (See Policy Issue Summary – Exhibit III)
- D. The **Growth Management/Commute Trip Reduction Fund** has special projects/grants related to growth management issues that have been accounted for in this fund. For 2005, \$32,576 is budgeted for the update of the Metropolitan Transportation Model. This project is Federally funded.
- E. **Cemetery Fund** resources for 2005 are projected at \$345,636, expenditures are estimated to be \$286,869, and the estimated ending balance is projected at \$58,767. **The Cemetery Fund is depending on a \$135,000 operational subsidy from the Parks and Recreation Fund.** To reduce this dependency on tax subsidies, a modest 5% rate increase is being proposed. This is estimated to generate approximately \$6,400. (See Policy Issue Summary – Exhibit III.)
- F. The **Emergency Services Fund** reflects resources of \$1,198,250 and expenditures of \$965,628 related to the provision of Emergency Medical Services, and is supported by the Special EMS Property Tax Levy, which was renewed by the voters in September 2002. The expenditure budget includes 2 additional firefighters to cover service needs in western Yakima. The 2005 ending balance is projected to be \$232,622.

- G. The **Public Safety Communications Fund** expects resources of \$2,577,206 and expenditures of \$2,496,944 for 2005, leaving a balance of \$80,262 at year-end. This fund accounts for 9-1-1 Calltakers, supported by Yakima County 9-1-1 resources in the amount of \$1,176,783. General Fund expenditures include a transfer of \$810,000 for dispatch. A policy issue to replace storage of data for Computer Aided Dispatch (CAD) system estimated to cost \$40,000 is budgeted in this fund. (See Policy Issue Summary -- Exhibit III.)
- H. **Parking and Business Improvement (PBIA) Fund** resources are projected to be \$168,270, while expenditures are projected at \$33,027. The ending balance for 2005 is projected at \$135,243. This fund includes a budgeted policy issue to transfer \$15,000 to the Parks and Recreation Fund to supplement the City's downtown beautification program.
- I. The **Trolley Fund** projects resources of \$15,435 and expenditures of \$14,400 for 2005. The year-end balance is projected at \$1,035.
- J. The **Front Street Business Improvement Area Fund** projects resources of \$5,046 and expenditures of \$3,000 -- leaving an ending balance of \$2,046 for 2005.
- K. The **Tourist Promotion Fund** budget anticipates resources of \$1,235,346 and expenditures of \$1,178,006, and thus is expected to end 2005 with a balance of \$57,340. The 2005 budget includes policy issues to increase the Yakima Center's management fee; to support other operational needs of the expanded facility funded by an allocation of Public Facilities District (PFD) revenue; to continue support of the Sports Commission; and to supplement maintenance and operations of the Visitor Information Center. (See Policy Issue Summary -- Exhibit III.)
- L. The **Capitol Theatre Fund** is expected to have resources of \$320,832 and expenditures of \$204,930 for 2005, and an ending balance of \$115,902. Resources include a budgeted policy issue to increase the Cable TV Utility Tax by 1% to provide for essential operational needs. The expenditure budget includes a policy issue to increase the Capitol Theatre Committee's management fee. (See Policy Issues Summary -- Exhibit III.)
- M. The **Public Facilities District Fund** was established in 2002 to account for the revenues received from the newly formed Public Facilities District. For 2005, resources are estimated to be \$836,478. Expenditures are estimated to be \$679,000, primarily for debt service on the Convention Center bonds issued in 2002 and support of the expanded center (See discussion on the Tourist Promotion Fund above and Policy Issue Summary -- Exhibit III.) This leaves a fund balance of \$157,478 at the end of 2005.

- N. **The Tourist Promotion Area** is a new fund established in 2004, the result of a self-assessment imposed by the lodging industry to promote tourism. Resources are estimated to be \$438,511, with expenditures programmed at \$409,511, leaving a balance at the end of 2005 of \$29,000.
- O. **Stormwater Operating Fund** is also a new fund to account for the proposed stormwater utility. Currently, \$433,079 is estimated to be spent for this purpose, with resources projected to be \$583,000 (including the receipt and repayment of a start-up Interfund loan of \$100,000.) The ending 2005 balance is projected to be \$149,921. There is a budgeted policy issue to establish the first year staffing levels and other expenses of the new utility. However, if the utility is not established by 2005, an alternative policy issue is presented to identify minimum program costs to be in compliance with the NPDES permit, which would not be funded by utility revenue, but by General Government reserves. (See Policy Issue Summary – Exhibit III.)
- P. **Transit Fund** expenditures are estimated to be \$5,316,870 and resources are projected to be \$5,467,959 for 2005. Total Transit sales taxes for 2004 are forecast to be \$3,957,000, and are estimated to be slightly more in 2005—the 2005 budget includes a total of \$4,000,000 with \$3,550,000 allocated to operations and \$450,000 to capital. The operating fund also includes an operating grant of \$1,270,000. An ending balance of \$151,089 is currently projected for 2005. The budget includes a policy issue for a new clerical position (See Policy Issue Summary – Exhibit III.)
- Q. The **Refuse Fund** expenditure budget for 2005 is \$3,540,599. Total resources are estimated to be \$3,635,006, and an ending balance is currently projected at \$94,407. Several factors impacted Refuse expenses, including higher fuel prices and landfill costs; acceleration of the purchase of trucks/bins for the automated program; and a budgeted policy issue to purchase a route analysis computer system. To meet these additional costs, the 2005 projected resources include a policy issue proposing a rate adjustment. (See Policy Issue Summary — Exhibit III.)
- R. **Wastewater Fund** resources for 2005 are expected to total \$17,467,523. Expenditures are budgeted at \$15,152,879 and the 2005 year-end balance is currently projected to be \$2,314,644. Transfers of \$2,856,198 million to Wastewater Construction Funds and \$2,943,939 million to provide for Wastewater Bond redemption and repayments of Public Works Trust Fund Loans are currently programmed in this budget. The proposed 2005 Sewer budget includes continued implementation of the Sewer Comprehensive Plan, the Wastewater Facilities Plan, and the cost-of-service rate study to meet mandated costs.

- S. **Water Fund** resources of \$7,532,301 are projected for 2005. Expenditures are estimated to be \$5,981,869, leaving \$1,550,432 at the end of 2005. These costs include \$100,000 transfer to the Capital Fund, and about \$670,000 to provide for Water Bond Debt Service and repayments of Water Public Works Trust Fund Loans. This utility recently completed a cost of service study, and a rate adjustment is proposed (but not currently budgeted). Options for the timing of the adjustments are presented as a policy issue. (See Policy Issue Summary — Exhibit III.)
- T. **Irrigation Fund** resources for 2005 are projected to be \$2,916,463 and expenditures are estimated to be \$2,249,138, which includes a transfer of \$574,000 to the Irrigation Capital Fund and \$383,750 to provide for Irrigation bond and Public Works Trust Fund loan. The 2005 ending fund balance is projected to be \$667,325.
- U. The **Equipment Rental Fund** budget for 2005 is \$3,905,592 of which \$2,418,977 is the maintenance and operations budget, and \$1,486,615 is the Equipment Replacement budget. Resources are expected to be \$7,083,805 while the ending fund balance for 2005 is expected to be \$3,178,213. Of this amount, approximately \$3 million represents capital equipment replacement reserves. A reorganization of this division is budgeted to reduce operating costs (see Policy Issue Summary – Exhibit III.)
- V. The **Environmental Fund** was created to provide for cleanup of environmental hazards. Funding for the program is from a surcharge on vehicle fuel sales in the Equipment Rental Fund. For 2005, \$399,889 in resources are expected to be generated and \$142,950 is expected to be spent. A year-end balance of \$256,939 is projected.
- W. **Public Works Administration Fund** expenditures for 2005 are expected to be \$1,045,470. Resources for 2005 are expected to be \$1,231,145 generated from operating funds located in the Public Works complex, resulting in a year-end balance of \$185,675.

## **RESERVE FUNDS**

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### **A. EMPLOYEE BENEFIT RESERVES**

1. **The Unemployment Compensation Reserve Fund** is estimated to end 2005 with a balance of \$295,464. Resources are projected to be \$455,845 and expenditures for claims and other related expenses are estimated at \$160,381. Because the reserve is adequately funded, no rate adjustment is included in 2005.

2. **Employees Health Benefit Reserve Fund** expenditures for 2005 are projected to be \$7,523,435, while resources are \$9,942,953; leaving an ending balance projected to be \$2,419,518. The 2005 budget includes an adjustment in rates of approximately 5% overall to cover projected claim costs and medical inflation, while maintaining adequate reserves. In 2003 the insurance board implemented a cost containment plan regarding co-payments for prescription drugs (the fastest growing component of medical costs.) Most recently, in the fall of 2004 the plan changed to a different preferred provider network to realize greater cost savings. Both of these measures combined to slow down the rampant rate of increase of plan expenses. The insurance board continues to monitor the plan and review potential cost containment measures, with a goal of reducing the magnitude of future annual premium increases. For 2005, rates noted above have been set based on the prior 18th month usage, i.e. January 2003 through June 2004.
3. **The Workers Compensation Reserve Fund** estimates a year-end balance of \$860,514, the result of resources totaling \$2,161,408 and expenditures of \$1,300,894. Concentrated efforts in plan management and safety training has resulted in a slowdown of claims/ costs. Therefore, the Industrial Insurance Rate was able to be decreased 10% across the board. The adjusted rates are projected to adequately fund projected claims and maintain reserves.
4. **Wellness/Employee Assistance Program (EAP) Fund** projected total resources for 2005 are \$204,489 and expenditures are \$94,064 with a projected year-end balance of \$110,425.
5. **The Firemen's Relief and Pension Fund** for 2005 projects resources of \$2,062,087 and projected expenditures of \$1,534,090, leaving an estimated 2005 year-end balance of \$527,997.

The Fire Pension property tax allocation for 2005 of \$1,405,779, is 2% greater than the 2004 allocation of \$1,378,215. **The City is mandated to increase property tax contributions to fund pension and LEOFF I medical and long-term care requirements regardless of whether the allowable levy actually increases.**

## **B. OPERATING RESERVES**

### **1. Risk Management Reserve**

2004 saw a continued trend of high insurance costs and unanticipated litigation liability defense costs. The 2004 budget was administratively adjusted by \$275,000, primarily because of additional costs incurred for Congdon land use litigation.



For 2005, Risk Management Fund departmental contributions totaling \$1,610,049 are programmed from City departments. This is up \$146,368 or 10% over 2004 departmental contributions of \$1,463,684. The increase helps pay for liability and other insurance coverages and increased claims costs and to meet reserve requirements. These charges, along with interest earnings, combine for projected 2005 revenues of \$1,760,049.

Total resources to the Risk Management Reserve for 2005 are expected to be \$2,782,413. Based on personnel costs, claims experience and other insurance/ professional services costs, expenditures are estimated to be \$1,783,772, and the year-end 2005 reserve balance is estimated to be \$998,641. These reserve levels are still considered marginal in comparison to the liability for incurred claims and the \$1 million deductible for general liability insurance. The reserve balance in this fund will continue to be monitored for adequacy.

## **2. General Contingency Reserve Fund**

The Contingency Reserve Fund is estimated to end 2004 with a balance of \$159,658. For 2005, \$100,000 is programmed to be transferred from the General Fund to this fund, providing total resources of \$434,658, and \$275,000 is appropriated for contingency purposes during 2005.

## **3. Capitol Theatre Reserve**

The Capitol Theatre Reserve projects resources for 2005 of \$1,043,117. Interest earnings on this balance support an annual transfer to the Capitol Theatre Operating Fund Reserve of \$83,927. The projected 2005 ending balance is \$959,190.

## **4. General Fund Cash Flow Reserve**

General Fund cash flow resources for 2005 are estimated at \$2,975,554. This source is a contingency for unbudgeted policy issues, other unknown expenses and potential revenue shortfalls.

In summation, the City's 2005 General Reserve position is estimated to be as follows (Table IV-4):

**TABLE IV-4**

	<b><u>2003 Actual</u></b>	<b><u>2004 Estimated</u></b>	<b><u>2005 Projected</u></b>
Contingency Fund	\$422,311	\$334,658	\$159,658
General Fund Cash Flow	5,893,638	4,573,781	2,975,554
Capitol Theatre Reserve	1,135,044	988,117	959,190
Risk Management Reserve	957,135	1,022,364	998,641
<b>Total</b>	<b><u>\$8,408,128</u></b>	<b><u>\$6,918,920</u></b>	<b><u>\$5,093,043</u></b>

Exhibit I contains additional detail of Operating Reserves.

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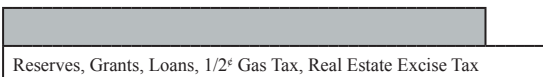
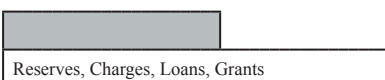
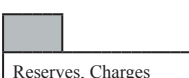



## V. CAPITAL IMPROVEMENT FUNDS

For 2004, a number of capital improvements were programmed for an amended capital budget of \$32.5 million. However, capital improvement expenditures for 2004 were estimated to be \$21.7 million, a spending level approximately \$10.8 million below budgeted levels. These projects are rebudgeted in 2005 along with additional capital improvements. An example of the projects being rebudgeted are the Railroad Grade Separation; Washington Avenue expansion and various wastewater capital projects (See Exhibit I.)

The following (Table V-1) describes the relationship of resources and expenditures for major capital budgets of the City.

TABLE V-1

### 2005 Restricted Capital & Debt Service Funds

Division (Includes Capital Projects and Debt Service)	2005 Forecast Budget	Dollars in Millions																				
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Wastewater	\$13,081,864																					
	19,304,719																					Reserves, Charges, Loans
Streets	12,186,725																					
	13,703,665																					Reserves, Grants, Loans, 1/2¢ Gas Tax, Real Estate Excise Tax
Water / Irrigation	5,247,053																					
	9,772,850																					Reserves, Charges, Loans, Grants
Equipment Rental	1,485,740																					
	4,662,510																					Reserves, Charges
Transit	330,000																					
	2,311,043																					Reserves, Taxes
Stormwater	150,000																					
	300,000																					Rates
Special Purpose Capital	4,555,780																					
Misc. G.O. Debt	6,318,032																					Reserves, Grants, Taxes, Loans
<b>Total Expenditures</b>	<b>\$37,037,162</b>																					
<b>Total Resources</b>	<b>\$56,372,819</b>																					



For 2005, Capital Fund expenditures of \$30,698,899 are estimated as follows, inclusive of carry-over projects from 2004:

- **Street/Other Infrastructure Improvement Projects** -- Total projects of \$11,517,820 (including carryover projects and Debt Service):
  - 2005 Street Projects -- Real Estate Excise Tax II Program -- \$535,000;
  - Washington Avenue Expansion -- \$3,356,773 (state and federal grants);
  - Nob Hill Boulevard Expansion (68th Ave. to 80th Ave.) -- \$1,390,000 (state and federal grants);
  - Railroad Grade Separation -- \$4,250,000 (state and federal grants);
  - Debt Service -- \$621,581;
  - Other miscellaneous projects -- \$1,364,466.

Arterial Street Gas tax and the Real Estate Excise Taxes are the primary local revenue sources for street projects. These revenues are used to match state and federal grants to maximize funding for projects.

- **Irrigation Improvement Fund** -- 2005 projects of \$3,015,000:
  - Irrigation Main Replacement -- \$315,000;
  - Fruitvale Canal -- \$200,000;
  - Design/Rebuild Irrigation General System -- \$2.5 million (bond issue).
- **Domestic Water Improvement Fund** -- 2005 projects of \$1,631,800:
  - Chemical Storage/Feed/Mix System Improvements -- \$368,400  
(Public Works Trust Fund loan);
  - Filter Media Rehabilitation -- \$952,400;  
(State revolving fund loan)
  - Other Water Capital Projects -- \$311,000.

- **Fire Capital Fund** -- Total projects of \$93,500:
  - \$40,000 to run fiber optics to the West Valley Fire Station and upgrade communications (See Policy Issue Summary -- Exhibit III);
  - \$53,500 for other miscellaneous upgrades to equipment stations.
  
- **Wastewater Capital Expenditures** -- Facility projects and other sewer improvements, including sewer line extension rehabilitation and other costs, total \$10,810,000:
  - Wastewater mains in conjunction with Washington Avenue improvements \$1,420,000;
  - 2005 facilities improvements -- \$7,500,000 (bond proceeds);
  - Speedway Interceptor Mains -- \$500,000;
  - Engineering studies/design cost for future projects and other miscellaneous projects -- \$250,000 (bond proceeds).
  - Other miscellaneous projects -- \$1,140,000;
  
- **Transit Capital** -- The 2005 budget of \$330,000 which is for miscellaneous capital needs. (There are no vehicle replacements contemplated in the 2005 budget)
  
- **Parks Improvements Projects** total -- \$135,000 for various project/capital needs. The major Parks capital drive is substantially completed. The 2005 budget is returning to a maintenance level.
  
- **City Hall Rehabilitation / Refurbishment / Contingency** -- \$400,000 for continued refurbishment projects.
  
- **Law and Justice Capital Fund** -- \$463,000 for the Police Station/Legal Center related equipment and projects including:
  - Vehicle Replacement -- \$250,000;
  - Other miscellaneous projects and equipment -- \$213,000.

- **Convention Center Capital Improvements** -- \$130,000 is programmed for ongoing capital needs of the Center for 2005.
- **LID Construction** -- \$1,365,574 for four wastewater local improvement districts which have been formed and will be in construction in 2005.
- **Stormwater Capital Fund** -- \$150,000 for catch basin repair/replacement.
- **Capitol Theatre miscellaneous capital improvements** -- \$450,000. (State grant)
- **Other City-wide miscellaneous capital project/capital debt service expenditures** -- \$207,205.

**Summary:**

Overall, Capital Fund expenditures in the 2005 Budget Forecast are \$30,698,899; \$1,830,155 or 5.6% less than the 2004 amended levels of \$32,529,054. While Wastewater is gearing up for a major capital investment, other areas, such as Parks, Convention Center and Water are completing major capital projects, netting to an overall decrease in the capital fund budgets.

## **VI - A. SUMMARY - Debt Capacity**

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### **GENERAL OBLIGATION DEBT**

The City is allowed by State statute to issue general obligation debt either by Council approval (Councilmanic) or by a vote of the people. The amount of debt outstanding is restricted by State law to certain percentages of the property tax assessments (called the limitation of indebtedness). In most instances, Councilmanic debt issues have dedicated sources of revenue for repayment, while voted debt is serviced by an additional property tax levy.

As of December 31, 2003 the City had \$28,330,097 of Councilmanic debt issued; of which \$18,070,097 was outstanding. Of the amount outstanding, all have a dedicated revenue source (such as cable TV, utility tax, hotel/motel tax, PFD revenues, etc.) In September, 2004, 1995 and 1996 G.O. Bonds were refunded for a substantial savings in interest.

The amount of voted debt issued as of the above date, was \$3,700,000; of which \$2,510,000 was outstanding.

- The tax levy on voted debt for 2004 is \$.08409 per \$1,000 of assessed valuation; for a total levy of \$315,833.
- The levy on voted debt for 2005 is projected to be \$300,000, to cover scheduled debt service.

For 2003, the ratio of net general bonded debt to assessed value is .52%, and the net bonded debt per capita is \$252. These numbers indicate a General Obligation debt burden for Yakima that is well within industry standards. This is appealing to potential investors. The remaining debt capacities (from the limitation of indebtedness calculation) are:

- \$39.8 million for Councilmanic general obligation debt;
- \$35.9 million for voted general obligation debt (in addition to above)
- \$95.6 million for utilities; and
- \$95.6 million for parks and open space.

The chart below summarizes the general purpose debt available to the City.

		<b>Limit by Section</b>	<b>Cumulative Limit</b>
I.	General Purpose		
	Without a Vote (Includes Capital Leases)	1.50%	
	With a vote	1.00%	2.50%
II.	Utilities Purpose	2.50%	5.00%
III.	Open Space and Parks Facilities	2.50%	7.50%
	<b>TOTAL LEGAL LIMIT</b>	<b>7.50%</b>	

The basic percentages for Section I, above, are the maximum levels of General Obligation indebtedness those sections may incur. However, utility or parks indebtedness may each exceed 2.5% and reduce the general indebtedness margin. The percentages are applied to the taxable assessed value (regular levies) of \$3,824,096,823.

### **REVENUE BONDS**

Revenue bonds are issued for construction projects or other legal purposes in the water, sewer and irrigation utilities. Repayment of these debt issues is built into the rate structures charged by the utilities.

At December 31, 2003, the amount of revenue bonds issued was \$32,175,000 of which \$25,995,000 was outstanding. The revenue bond coverage ratio (net revenues available for debt service/debt service requirements) is 4.09 for 2003. The City's general policy is to maintain a minimum coverage ratio of between 1.4 and 2.0 times debt service; therefore, 4.09 is a very healthy coverage ratio and provides a high level of assurance that the City will be financially able to repay its outstanding revenue bonds.

### **PUBLIC WORKS TRUST FUND LOANS**

The City also utilizes Public Works Trust Fund Loans to fund capital projects for street, wastewater, and water divisions. These loans are obtained by competitive process from the State of Washington's Department of Community and Economic Development. Interest rates range from .5% to 3% depending on amount of available matching funds, and are more favorable than bonded debt. The other advantage to using this program is that these loans are not considered to use debt capacity, for G.O. debt nor do they have coverage or reserve requirements in the case of utility debt.

At December 31, 2003, the City had \$24,126,754 of Public Works Trust Funds issued, with \$10,454,456 outstanding.

## **VI - B. SUMMARY - State and Federal Mandates**

In establishing the budget levels for all of the funds of the City, the cost of complying with State and Federal mandates is factored in. The cost of mandate compliance continues to be a heavy burden on City budgets, particularly City operating budgets. The cost of compliance is very high while the revenues received from State and Federal agencies which enact these mandates is minimal. The most significant impacts from State and Federal mandates is the expense of implementing:

- Health Insurance Portability and Accountability Act (HIPAA),
- GASB 34 Financial Statement / Reporting Model,
- Safe Drinking Water Act,
- Endangered Species Act (4(d) Rules for Salmon Recovery),
- National Fire Protection Association apparatus manning standard,
- Americans' with Disabilities Act,
- Fair Labor Standards Act,
- State Ecology Stormwater Regulations,
- State and Federal Retirement Laws,
- Growth Management Act (on-going), and
- State mandate which shifted cost to cities for domestic violence, prosecution, adjudication, and incarceration of State charge misdemeanor and gross misdemeanor offenses.

All of the above have had far reaching impacts on most City budgets. Again, few State or Federal funds have been granted to support implementation of these mandates. Additionally, the Legislature continues to consider measures to preserve and recover northwest salmon stock. Most of the measures discussed carried multi-million dollar price tags. This is a potential future mandate that could have dramatic impacts on local governments throughout Washington State.

It should also be noted that while mandates and regulatory requirements continue to be a heavy burden on the City, the City's ability to collect revenues to meet those requirements has been legislatively diminished. New State laws often impair the City's ability to collect revenue for City programs and services. Recent initiatives have reduced the City's ability to meet requirements. It's important for the citizenry to weigh the cost of compliance (i.e. taxes and fees to meet the laws) versus the cost of non-compliance (for example: quality of life issues, fines for non-compliance, and other "hidden" costs such as increased fire insurance rates, loss of grant revenue, etc.)

## **VI - C. SUMMARY - Balanced Budget**

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**The 2005 budget is planned to be balanced as follows:**

- A. **General Fund:** \$1,598,227 of the total 2005 beginning balance of \$4,573,781 is allocated to meet the current difference between estimated revenues and expenditures. The estimated \$2,975,554 General Fund ending balance will be used as a minimum operating reserve for cash flow needs for unbudgeted policy issues, and as a general contingency reserve against potential revenue shortfalls. The proposed 2005 budget includes a 1% property tax levy increase in compliance with Initiative 747 plus a 1.4% increase for new construction and increased tax collections.
- B. **Parks and Recreation Fund:** Projected 2005 Parks expenditures are \$3,905,396. The budget includes \$3,734,711 in revenues, along with \$422,812 of the beginning 2005 cash balance to balance the 2005 budget. This will leave a projected operating reserve of \$252,127 for year-end 2005. Even though the Parks Division has recently completed a major capital campaign, adding new parks and facilities, its operating budget was reduced by \$123,000. To adequately support the new facilities, an increase in utility taxes on Water, Wastewater and Refuse is being proposed (unbudgeted.) There is an unbudgeted policy issue to adjust fees and charges, the major impact identified as rental of new facilities.
- C. **Street and Traffic Operations Fund:** beginning balance projection for 2005 is \$726,394. Revenues of \$4,464,907 along with \$240,128 of the beginning balance will be used to balance the 2005 budget. Total expenditures of \$4,705,035 are programmed for 2005. The year-end balance is projected at \$486,266.
- D. **Wastewater Operations Fund:** 2005 expenditures are budgeted within projected resource levels. In 2003, the odor litigation case that has been pending for this utility was settled. After the settlement, the utility is recommencing its capital program which was delayed for several years because of the pending litigation. An 8% rate increase was approved by City Council in the fall of 2003 to meet debt service for a \$17.5 million Revenue Bond issued in 2003. About \$7.4 million was being used for the settlement, while the remaining \$10.1 million is earmarked for major capital improvements necessary to maintain the utility's operating permit. In 2004, many of

the capital funds were used for design, while a majority of the projects are included in the 2005 budget.

- E. **Water Rates:** Water recently developed a cost of service study tied to operating costs and identified capital needs. (Even though the 2005 budget is balanced within available resources, the dependency on beginning cash reserves is more than \$440,000 or 7%, well above the recommended maximum of 5%, without a rate adjustment.) An unbudgeted Policy Issue is presented with 3 options of rates over the next 5 years.
- F. **Refuse Rates:** As Refuse transitions to automated pick-up, two separate factors have combined to create stress on its fund balance -- 1) Revenues were difficult to estimate because of the difference in the size of bins and charges per bin vs. can. 2) Transition requires capital investment (although some operating cost savings are being realized.) To keep the transition on schedule, Refuse rates are proposed to be adjusted by a net of 9% overall. This is summarized in a budgeted Policy Issue.
- G. **Stormwater Utility:** The City is required to obtain a NPDES permit for its Stormwater program in 2005. A program for adequately addressing stormwater / water quality has been proposed and entails creating a new utility.

Fees are proposed to increase annually for 5 years, and by the end of that time, a complete stormwater program would be in place. The 2005 budget includes the first year implementation of the program contained in two new funds -- Stormwater operations and capital. Total fees in 2005 are proposed to be \$1.50 per Equivalent Residential Unit (ERU) per month, and is estimated to raise \$883,000 in the first year. Of this amount, about \$433,000 is programmed for operations and \$150,000 for capital, leaving a balance of \$300,000 for future capital projects / cash flow reserves (the revenue will come in like received Property taxes -- the first revenue will not be until April of each year.)

Currently, there are discussions with other governments about regionalization of this function. If the City's utility is not established to be in effect in 2005, there would still be about \$172,000 of costs necessary to be incurred in relation to the NPDES permit. Staff's recommendation is to have Wastewater pay for these costs for 2005, with these costs to be reimbursed when the utility is established.



## **CONCLUSION:**

**The City's projected Operating, Enterprise, and Capital Fund** expenditures for 2005 are balanced within anticipated revenues and projected cash balances.

**The total 2005 Budget is estimated at \$144,183,812—a decrease of \$1,628,224 or 1.1% below the 2004 amended budget level of \$145,812,036.** The completion of major capital projects and continuing efforts to contain costs were driving factors in the reduction in the total City budget.

The overall 2005 Budget addresses, within resource limitations, the Critical/Strategic Issues of the City in an ongoing effort to meet citizen needs for municipal services; address the City's Mission and Vision for the future; and satisfy Federal and State mandated responsibilities. (See Exhibit IV for a graphic portrayal of total City budget resources and expenditures.)

City of Yakima  
2005 Budget by City Functional Grouping

	2003	2004	2004	2005	2005	2005	2005	2005
	Actual	Amended	Year-End	Adopted	vs 2004	Beginning	Projected	2005
	Expenditures	Budget	Estimate	Budget	Amended	Fund Balance	Revenue	Est Ending
								Fund Balance
<b><u>General Government</u></b>								
City Council	\$153,935	\$161,959	\$160,833	\$163,873	1.2%			
City Manager	439,579	464,194	457,959	586,773	26.4%			
State Examiner	94,003	101,120	101,120	103,000	1.9%			
Records	246,122	372,991	364,189	286,292	(23.2%)			
Financial Services	1,035,779	1,092,647	1,087,928	1,130,542	3.5%			
Human Resources	393,237	438,752	419,993	449,493	2.4%			
Legal	1,239,562	1,312,374	1,320,483	1,344,153	2.4%			
Municipal Court	832,597	850,725	870,551	909,669	6.9%			
Purchasing	177,703	206,034	203,375	218,631	6.1%			
Hearing Examiner	17,532	21,000	21,000	26,000	23.8%			
Environmental Planning	412,176	463,583	463,415	478,809	3.3%			
Code Administration	1,241,878	1,240,812	1,233,618	1,314,178	5.9%			
Police	14,396,465	15,360,523	15,053,481	15,823,525	3.0%			
Fire	6,435,858	6,917,268	6,803,368	7,165,728	3.6%			
Police Pension	1,134,006	1,253,722	1,303,543	1,255,672	0.2%			
Probation Center	464,636	399,971	395,331	411,757	2.9%			
Engineering	978,788	1,033,892	1,033,633	1,044,581	1.0%			
City Hall Maintenance	344,801	351,760	351,107	370,990	5.5%			
Information Systems	2,033,084	2,816,990	2,723,311	2,378,957	(15.6%)			
Utility Services	792,066	844,563	843,848	905,831	7.3%			
Library	1,400,115	1,414,107	1,414,107	1,314,107	(7.1%)			
Intergovernmental	169,318	172,521	175,376	171,520	(0.6%)			
Sun Dome	149,621	151,934	151,934	150,697	(0.8%)			
District Court	65,539	60,000	53,450	45,600	(24.0%)			
Transfers	1,845,426	1,825,000	1,928,000	1,939,000	6.2%			
Total General Fund	\$36,493,826	\$39,328,442	\$38,934,953	\$39,989,378	1.7%	\$4,573,781	\$38,391,151	\$2,975,554
Parks & Recreation	3,567,002	3,928,829	3,832,816	3,905,396	(0.6%)	422,812	3,734,711	252,127
Street & Traffic Operations	4,614,159	5,137,862	4,883,031	4,705,035	(8.4%)	726,394	4,464,907	486,266
<b>Total General Government Funds</b>	<b>\$44,674,987</b>	<b>\$48,395,133</b>	<b>\$47,650,800</b>	<b>\$48,599,809</b>	<b>0.4%</b>	<b>\$5,722,987</b>	<b>\$46,590,769</b>	<b>\$3,713,947</b>

	2003	2004	2004	2005	2005	2005	2005	2005	2005
	Actual	Amended	Year-End	Adopted	vs 2004	Beginning	Projected	Est Ending	
<u>Other Operating/Enterprise</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Estimate</u>	<u>Budget</u>	<u>Amended</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Fund Balance</u>	
Economic Development	\$35,594	\$105,950	\$105,950	\$80,950	(23.6%)	\$114,192	\$200	\$33,442	
Community Development	2,466,299	3,138,801	2,991,564	2,414,285	(23.1%)	586,052	2,410,066	581,833	
Cable TV	379,134	523,458	450,211	594,446	13.6%	753,070	460,350	618,974	
Commute Trip Reduction Fund	38,734	32,656	0	32,576	(0.2%)	4,329	28,247	0	
Cemetery	326,622	312,894	304,825	286,869	(8.3%)	57,436	288,200	58,767	
Emergency Services	885,927	1,035,586	998,572	965,628	(6.8%)	273,050	925,200	232,622	
Public Safety Communications	2,213,388	2,414,201	2,378,806	2,496,944	3.4%	192,113	2,385,093	80,262	
Parking & Business Impr. Area	99,001	81,336	63,011	33,027	(59.4%)	131,270	37,000	135,243	
Trolley (Yakima Interurban Lines)	33,175	17,200	13,320	14,400	(16.3%)	14,160	1,275	1,035	
Front Street Business Impr. Area	1,976	8,000	8,000	3,000	(62.5%)	2,671	2,375	2,046	
Tourist Promotion	999,376	1,071,448	1,065,375	1,178,006	9.9%	63,046	1,172,300	57,340	
Capitol Theatre	158,943	183,633	172,230	204,930	11.6%	47,785	273,047	115,902	
Public Facilities District Revenue	514,823	629,000	629,000	679,000	8.0%	224,478	612,000	157,478	
Tourist Promotion Area	0	130,000	129,534	409,511	215.0%	7,000	431,511	29,000	
Storm Water Operating	0	0	0	533,079	0.0%	0	683,000	149,921	
Transit	4,780,464	5,271,837	5,156,699	5,316,870	0.9%	159,794	5,308,165	151,089	
Refuse	3,090,617	3,414,526	3,298,147	3,540,599	3.7%	114,206	3,520,800	94,407	
Sewer Operating	13,622,839	14,065,952	14,043,801	15,152,879	7.7%	2,835,942	14,631,581	2,314,644	
Water Operating	5,566,032	6,035,149	5,817,733	5,981,869	(0.9%)	1,997,351	5,534,950	1,550,432	
Irrigation Operating	1,747,548	2,582,818	2,577,986	2,249,138	(12.9%)	473,483	2,442,980	667,325	
Equipment Rental	4,333,019	4,423,315	4,392,198	3,905,592	(11.7%)	3,411,488	3,672,317	3,178,213	
Environmental Fund	67,719	118,950	112,950	142,950	20.2%	230,389	169,500	256,939	
Public Works Administration	966,338	1,050,839	1,017,431	1,045,470	(0.5%)	197,976	1,033,169	185,675	
<b>Total Other Operating/Enterprise</b>	<b>\$42,327,568</b>	<b>\$46,647,549</b>	<b>\$45,727,343</b>	<b>\$47,262,018</b>	<b>1.3%</b>	<b>\$11,891,281</b>	<b>\$46,023,326</b>	<b>\$10,652,589</b>	
<b><u>Capital Improvement</u></b>									
Arterial Street	\$1,511,603	\$7,104,932	\$5,044,909	\$6,367,013	(10.4%)	\$3,932	\$6,561,387	\$198,306	
Transportation Improvement	21,323	140,000	120,000	90,000	(35.7%)	90,129	0	129	
CBD Capital Improvement	2,080	242,205	165,399	207,205	(14.5%)	266,187	33,652	92,634	
Capitol Theatre Construction	0	500,000	500,000	450,000	(10.0%)	92,000	447,345	89,345	
Parks & Recreation Capital	2,318,095	1,690,621	1,047,031	135,000	(92.0%)	91,651	100,000	56,651	
Fire Capital	505,774	938,023	930,634	93,500	(90.0%)	240,564	104,607	251,671	
Law & Justice Capital	852,475	1,643,076	1,525,076	463,000	(71.8%)	691,072	318,000	546,072	

	2003	2004		2004	2005		2005	2005		2005	2005
	Actual	Amended	Year-End	Adopted	vs 2004	Beginning	Projected	Est Ending			
	Expenditures	Budget	Estimate	Budget	Amended	Fund Balance	Revenue	Fund Balance			
Public Works Trust Construction	310,243	699,480	579,480	675,807	(3.4%)	969,143	626,500	919,836			
REET 2 Capital Construction	0	350,000	350,000	535,000	52.9%	250,000	550,000	265,000			
LID Construction Control	0	350,000	272,600	1,365,574	290.2%	0	1,365,574	0			
Storm Water Capital	0	0	0	150,000	0.0%	0	300,000	150,000			
Transit Capital Reserve	216,138	1,359,457	1,354,613	330,000	(75.7%)	1,821,043	490,000	1,981,043			
Convention Center Capital Impr.	5,290,234	492,353	462,353	130,000	(73.6%)	112,481	78,500	60,981			
Cum. Reserve for Capital Impr.	1,710,228	5,040,000	892,000	4,250,000	(15.7%)	608	4,255,350	5,958			
Wastewater Facilities Capital Res.	47,830	100,000	100,000	100,000	0.0%	513,054	152,000	565,054			
Sewer Construction	1,949,703	1,369,567	1,355,000	2,985,000	118.0%	1,670,118	2,730,001	1,415,119			
Domestic Water Improvement	1,757,539	3,983,978	3,242,870	1,631,800	(59.0%)	1,466,181	1,262,901	1,097,282			
Wastewater Facilities	10,314,335	3,625,000	1,479,474	7,725,000	113.1%	9,217,618	359,919	1,852,537			
Irrigation System Improvement	585,130	2,900,362	2,248,684	3,015,000	4.0%	5,553,782	582,000	3,120,782			
Total Capital Improvement	\$27,392,730	\$32,529,054	\$21,670,123	\$30,698,899	(5.6%)	\$23,049,563	\$20,317,736	\$12,668,400			
<u>Contingency/Operating Reserves</u>											
Contingency Fund	\$190,428	\$336,545	\$205,175	\$275,000	(18.3%)	\$334,658	\$100,000	\$159,658			
FRS/Capitol Theatre Reserve	71,927	171,927	171,927	83,927	(51.2%)	988,117	55,000	959,190			
Risk Management	1,620,422	1,742,180	1,720,452	1,783,772	2.4%	1,022,364	1,760,049	998,641			
Total Contingency/Operating Rsrvs.	\$1,882,777	\$2,250,652	\$2,097,554	\$2,142,699	(4.8%)	\$2,345,139	\$1,915,049	\$2,117,489			
<u>Employee Benefit Reserves</u>											
Unemployment Compensation	\$140,730	\$179,186	\$149,186	\$160,381	(10.5%)	\$311,845	\$144,000	\$295,464			
Employees Health Benefit	7,285,577	7,634,862	7,216,492	7,523,435	(1.5%)	2,146,093	7,796,860	2,419,518			
Workers' Compensation	1,037,616	1,416,469	1,271,469	1,300,894	(8.2%)	868,908	1,292,500	860,514			
Wellness/EAP Fund	57,001	79,944	73,945	94,064	17.7%	103,989	100,500	110,425			
Firemen's Relief & Pension	1,362,584	1,547,163	1,527,694	1,534,090	(0.8%)	605,308	1,456,779	527,997			
Total Employee Benefit Reserves	\$9,883,508	\$10,857,624	\$10,238,786	\$10,612,864	(2.3%)	\$4,036,143	\$10,790,639	\$4,213,918			

	2003	2004	2004	2005	2005	2005	2005	2005	2005
	Actual	Amended	Year-End	Adopted	vs 2004	Beginning	Projected	Est Ending	
	Expenditures	Budget	Estimate	Budget	Amended	Fund Balance	Revenue	Fund Balance	
<b><u>Trust and Agency Funds</u></b>									
Cemetery Trust	\$17,527	\$15,000	\$15,000	\$15,000	0.0%	\$521,099	\$21,000	\$527,099	
Pass Through Grants	0	0	0	0	0.0%	0	0	0	0
<b>Total Trust and Agency Funds</b>	<b>\$17,527</b>	<b>\$15,000</b>	<b>\$15,000</b>	<b>\$15,000</b>	<b>0.0%</b>	<b>\$521,099</b>	<b>\$21,000</b>	<b>\$527,099</b>	
<b><u>Debt Service</u></b>									
LID Guaranty	\$0	\$35,000	\$35,000	\$0	0.0%	\$28,893	\$300	\$29,193	
Housing Ltd. G.O. Note	207,250	0	0	0	0.0%	0	0	0	0
PFD Debt Service	474,195	474,020	474,020	473,470	0.0%	116,081	480,000	122,611	
General Obligation Bonds	1,557,698	1,536,628	1,509,115	1,434,936	(6.6%)	541,850	1,444,700	551,614	
LID Debt Service	56,908	103,000	103,000	72,000	(30.1%)	48,691	112,500	89,191	
Water-Irrigation/Sewer Bonds	1,864,046	2,968,376	2,569,964	2,872,117	(3.2%)	2,657,919	2,912,076	2,697,878	
<b>Total Debt Service</b>	<b>\$4,160,097</b>	<b>\$5,117,024</b>	<b>\$4,691,099</b>	<b>\$4,852,523</b>	<b>(5.2%)</b>	<b>\$3,393,434</b>	<b>\$4,949,576</b>	<b>\$3,490,487</b>	
<b>Total City Budget</b>	<b>\$130,339,194</b>	<b>\$145,812,036</b>	<b>\$132,090,705</b>	<b>\$144,183,812</b>	<b>(1.1%)</b>	<b>\$50,959,646</b>	<b>\$130,608,095</b>	<b>\$37,383,929</b>	



## **CITY OF YAKIMA MISSION AND VISION STATEMENTS**



The City of Yakima's goals and objectives are clearly emphasized in the Mission and Vision Statements as amended on February 17, 2004.

The mission of the City of Yakima is to govern responsively with leadership that is committed to: enhancing the quality of life; continually improving services; and embracing the diversity of our community.

The vision for the City of Yakima is to: build a modern responsive government; provide cooperative, diverse leadership; promote a regional approach to services; focus on improving public infrastructure; and act as a catalyst for economic development.

The following Critical/Strategic Priorities are an extension of the Mission and Vision for the City of Yakima.

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**2004  
YAKIMA CITY COUNCIL  
STRATEGIC DIRECTION PRIORITIES**

- **Community Image**

Build, sustain and strengthen the City's public image as a clean, safe, attractive and progressive community which is respected as a desirable place to live and work.

- **Economic Improvement**

Promote, stimulate and foster economic improvements, investments, partnerships and job creation to revitalize our economy, maintain fiscal stability and enhance our prosperity for the future.

- **Regional Government Services**

Lead, pursue and encourage opportunities for greater regionalization and coordination of public services and intergovernmental cooperation which best serves all citizens.

- **Increased Community Involvement**

Improve and strengthen community involvement, citizen participation and the understanding and trust of City government through proactive communications, responsive actions and effective public relations/education programs.

**CITY OF YAKIMA**  
**2005 BUDGET PREPARATION**  
**POLICY ISSUE SUMMARY**

(Revised as of 10/07/04)

\* NOTE: Policy proposal figures may be rounded.

**I. CITY MANAGEMENT**

**WATER / IRRIGATION**

	Dept. / Div. Policy Issue Request / Justification	Proposed Funding Source	Personnel	Non-Personnel	Budgeted / Unbudgeted
	Water Rate Adjustment (to cover increased operating expenses since last adj. In 2001)			<u>Revenue:</u>	
	Scenario A – (New Staff Recommendation)			Scenario A –	
	2005 12%			2005 \$628,000	
	2006 12%				
	2007 3.5%				
	2008 3.5%				
	2009 <u>3.5%</u>				
	Cumulative 39.1%				
--	Base Scenario – (Original Staff Recommendation)	Domestic Water Rates		Base Scenario –	Unbudgeted
	2005 20%			2005 \$1,047,000	
	2006 3.5%				
	2007 3.5%				
	2008 3.5%				
	2009 <u>3.5%</u>				
	Cumulative 37.5%				
	Scenario B – (Flat Rate Adjustment)			Scenario B –	
	2005 8.5%			2005 \$445,000	
	2006 8.5%				
	2007 8.5%				
	2008 8.5%				
	2009 <u>8.5%</u>				
	Cumulative 50.4%				



## Policy Issues, Cont.

### **II. FINANCE**

#### **INFORMATION SYSTEMS**

	<b>Dept. / Div. Policy Issue Request / Justification</b>	<b>Proposed Funding Source</b>	<b>Personnel</b>	<b>Non-Personnel</b>	<b>Budgeted / Unbudgeted</b>
--	Implement a Digital Agenda Management System	General Fund		\$75,000	Budgeted
--	Extend Data Communications Fiber Network to Fire Station #92 (West Valley) and Harman Senior Center	(a) Telecomm-unications (b) Fire Capital (c) Parks Capital		(a) \$ 60,000 (b) \$ 40,000 (c) <u>\$ 20,000</u> \$120,000	Budgeted
--	Complete preliminary design; RFP process; select vendor package/ professional services and prepare detail of new Utility Customer Service System	(a) Wastewater (b) Water (c) Irrigation		(a) \$120,000 (b) \$ 25,000 (c) <u>\$ 15,000</u> \$160,000	Budgeted

### **III. COMMUNITY AND ECONOMIC DEVELOPMENT**

#### **CODE ADMINISTRATION**

	<b>Dept. / Div. Policy Issue Request / Justification</b>	<b>Proposed Funding Source</b>	<b>Personnel</b>	<b>Non-Personnel</b>	<b>Budgeted / Unbudgeted</b>
--	(a) Modify Building Plumbing and Mechanical Permit Fees  (b) Restore .25 Code Inspector Position (from .75 to 1.00)	General Fund	\$ 12,350	<u>Revenue:</u> \$99,000	Unbudgeted

**Policy Issues, Cont.**

**III. COMMUNITY AND ECONOMIC DEVELOPMENT (continued)**

**CAPITOL THEATRE**

	<b>Dept. / Div. Policy Issue Request / Justification</b>	<b>Proposed Funding Source</b>	<b>Personnel</b>	<b>Non-Personnel</b>	<b>Budgeted / Unbudgeted</b>
--	Increase Cable Utility Tax by 1% (from 5% to 6%). Revenue to be used to support Capitol Theatre			<u>Revenue:</u> \$98,000	Budgeted
--	Increase of Annual Management fee	Hotel/Motel Tax- - \$2,000 Increased Cable Utility Tax -- \$5,000		\$7,000	Budgeted

**YAKIMA CENTER**

	<b>Dept. / Div. Policy Issue Request / Justification</b>	<b>Proposed Funding Source</b>	<b>Personnel</b>	<b>Non-Personnel</b>	<b>Budgeted / Unbudgeted</b>
--	Increase of Annual Management Fee from \$485,000 to \$525,000	Tourist Promotion Center Operations		\$40,000	Budgeted
--	Continue Public Facilities District (PFD) subsidy of Yakima Center Operations	PFD Fund transfer to Tourist Promotion Fund		\$115,000	Budgeted
--	Continue Sports Commission	Tourist and Promotion – Hotel/Motel Tax		\$45,000	Budgeted
--	Funding for Visitor Information Center	Tourist and Promotion – Hotel/Motel Tax		\$40,000	Budgeted
--	Funding for Improvements to Convention Center East Parking Lot	Convention Center Capital Improvement Fund		\$50,000	Budgeted

## Policy Issues, Cont.

### **V. FIRE**

#### **FIRE**

	<b>Dept. / Div. Policy Issue Request / Justification</b>	<b>Proposed Funding Source</b>	<b>Personnel</b>	<b>Non-Personnel</b>	<b>Budgeted / Unbudgeted</b>
--	Restructure Fire Department with Phase-out of Battalion Chiefs. Upgrade one Lieutenant to Captain & Add one Deputy Chief Position (to take full effect in 2006)	General Fund	Net savings of: \$200,000 beginning 2006		Unbudgeted
--	Renovation and Addition to West Valley Fire Station #1 (subject to negotiations with West Valley Fire District)	Line of Credit (to be repaid from GF resources over 5 years) plus contribution from West Valley Fire District		\$610,000 (estimated)	Unbudgeted

#### **PUBLIC SAFETY COMMUNICATIONS**

	<b>Dept. / Div. Policy Issue Request / Justification</b>	<b>Proposed Funding Source</b>	<b>Personnel</b>	<b>Non-Personnel</b>	<b>Budgeted / Unbudgeted</b>
--	Replace Computer Disk Array	911 Excise Tax		\$40,000	Budgeted
--	Replace Microwave Link to LookOut Point Radio Site	(a) Law & Justice Capital (b) Transit Capital		(a) \$ 50,000 (b) <u>\$20,000</u> \$ 70,000	Budgeted
--	Study radio system – Identify needs and cost for improvements	All Radio User Departments		Unknown	Unbudgeted

## VI. PUBLIC WORKS

## ENGINEERING / STORMWATER

	Dept. / Div. Policy Issue Request / Justification	Proposed Funding Source	Personnel	Non-Personnel	Budgeted / Unbudgeted
--	a) Establish Stormwater Utility – 1 <sup>st</sup> year operating costs = \$433,000 1) Transfer Surface Water Engineer from Streets 2) Add 1.25 Eng. Utility Specialist 3) NPDES Discharge Permit 4) Education programs, billing charges, supplies 5) Equipment 6) State taxes, insurance, other admin., int. on start up loan  Total Operating Budget 1st year capital costs  Total Utility Revenue Total Utility Expenditures Reserves for future capital projects	New utility rates \$1.50 per ERU (Equivalent Residential Unit) per month first year only.  Estimated to raise \$883,000  \$883,000 \$583,000 \$300,000	1) 87,000  2) 71,000      \$158,000	3) 30,000  4) 131,000   5) 35,000 6) 79,000  \$275,000 \$150,000	Budgeted
--	<u><b>OR</b></u>  b) Minimal Stormwater Program (if utility not established for 2005) \$172,000 Total Costs	Wastewater Operating Fund \$172,000 (One year only -- to be reimbursed when utility established	\$87,000	\$85,000	Unbudgeted

## Policy Issues, Cont.

### **VI. PUBLIC WORKS (continued)**

#### **EQUIPMENT RENTAL**

	<b>Dept. / Div. Policy Issue Request / Justification</b>	<b>Proposed Funding Source</b>	<b>Personnel</b>	<b>Non-Personnel</b>	<b>Budgeted / Unbudgeted</b>
--	Reorganization Plan for Equipment Rental Division	Equipment Rental – M& O Charges	\$57,000 (savings)		Budgeted

#### **PARKS AND RECREATION**

	<b>Dept. / Div. Policy Issue Request / Justification</b>	<b>Proposed Funding Source</b>	<b>Personnel</b>	<b>Non-Personnel</b>	<b>Budgeted / Unbudgeted</b>
--	Increase General User Fees and Charges (Includes estimates for rental of new facilities)	Parks and Recreation Fund		Revenue: \$15,000 <u>\$65,000</u> \$80,000	Budgeted Unbudgeted
--	Increase of Parks Utility Taxes on Water, Wastewater and Refuse a) 1% (from 3.5% to 4.5%) or b) 0.5% (3.5% to 4.0%)	Parks and Recreation Fund		Revenue: \$225,000 or \$112,500	Unbudgeted

#### **PARKS AND RECREATION / Central Business District (CBD)**

	<b>Dept. / Div. Policy Issue Request / Justification</b>	<b>Proposed Funding Source</b>	<b>Personnel</b>	<b>Non-Personnel</b>	<b>Budgeted / Unbudgeted</b>
--	Funding for CBD Landscaping	PBIA		\$15,000 <u>\$24,906</u> \$39,906	Budgeted Parks Fund Property Tax Subsidy

#### **PARKS AND RECREATION / CEMETERY**

	<b>Dept. / Div. Policy Issue Request / Justification</b>	<b>Proposed Funding Source</b>	<b>Personnel</b>	<b>Non-Personnel</b>	<b>Budgeted / Unbudgeted</b>
--	Increase Fees and Charges (5%)	Cemetery Fund		Revenue: \$6,400	Unbudgeted

**Policy Issues, Cont.**

**VI. PUBLIC WORKS (continued)**

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**REFUSE**

	<b>Dept. / Div. Policy Issue Request / Justification</b>	<b>Proposed Funding Source</b>	<b>Personnel</b>	<b>Non-Personnel</b>	<b>Budgeted / Unbudgeted</b>
--	Rate Increase – overall average of 9% <ul style="list-style-type: none"><li>• 5% residential can</li><li>• 15% automated</li><li>• 9% bins and yard waste</li></ul>	Refuse Rates		<u>Revenue:</u> \$200,000 (1 <sup>st</sup> year estimate) \$260,000 (annualized)	Budgeted
--	Purchase Route Analysis System	Refuse Rates		\$90,000	Budgeted

**TRANSIT**

	<b>Dept. / Div. Policy Issue Request / Justification</b>	<b>Proposed Funding Source</b>	<b>Personnel</b>	<b>Non-Personnel</b>	<b>Budgeted / Unbudgeted</b>
--	Add Clerical Position (DA-II)	Transit Operation Budget	\$35,600		Budgeted

**Policy Issues, Cont.**

**VII. OUTSIDE AGENCY AND INTERGOVERNMENTAL REQUESTS**

**(A) OUTSIDE AGENCY REQUESTS**

	<b>Dept. / Div. Policy Issue Request / Justification</b>	<b>Proposed Funding Source</b>	<b>Non- Personnel *</b>	<b>Budgeted / Unbudgeted</b>
--	Yakima County Development Association <sup>(1)</sup>	General Fund	\$19,913	Budgeted
--	Yakima Chamber of Commerce <sup>(1)</sup>	General Fund	\$5,900	Budgeted
--	4th of July Committee <sup>(1)</sup>	General Fund (Fire)	\$5,000	Budgeted
--	Sunfair Association <sup>(1)</sup>	General Fund	\$1,000	Budgeted
--	Allied Arts ArtsVan	General Fund	\$5,333	Deleted
--	Salvation Army (Milroy Park)	Parks and Recreation Fund	\$7,000	Deleted
--	RSVP	Parks and Recreation Fund	\$3,000	Deleted
--	Continue to support study of the proposal to construct a reservoir in the Black Rock region.	Water Reserves (60%) Irrigation Reserves (40%)	\$36,000 <u>\$24,000</u> \$60,000	Unbudgeted

- (1) These Outside Agency Requests are included in the 2005 Preliminary Budget at the same levels as approved in the 2004 budget.

**(B) INTERGOVERNMENTAL / OTHER**

	<b>Dept. / Div. Policy Issue Request / Justification</b>	<b>Proposed Funding Source</b>	<b>Non- Personnel *</b>	<b>Budgeted / Unbudgeted</b>
--	Clean Air Authority	General Fund	\$12,580	Budgeted
--	Yakima County Emergency Management	General Fund	\$40,813	Budgeted
--	Yakima Valley Conference of Govenments (COG) Membeship Assessment	General Fund	\$38,532	Budgeted

# **Exhibit IV**

## **A. Criminal Justice Costs**

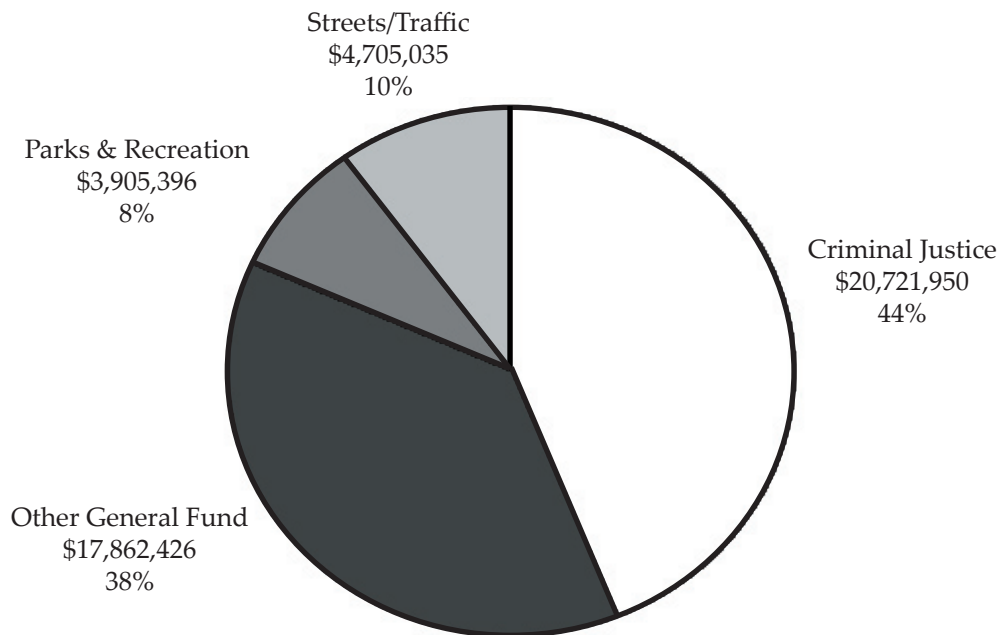
## **B. Salary and Benefit Costs**

## **C. Resource and Expenditure Breakdown**

- Total Resources
- Taxes Distributed
- Intergovernmental Revenue
- Charges for Services
- Borrowings
- Operating Reserves
- Capital Reserves
- Other Resources
- Total Resources
- Total Expenditures



## Criminal Justice Costs vs. Other General Government Functions 2005 Budget



This analysis compares Criminal Justice expenditures to other General Government costs. Criminal Justice costs include: Police Department (including jail costs); Police Pension; Court and Probation costs; Prosecution and Indigent Defense (included in the Legal Department budget) and forty percent of Information Systems budget (the amount dedicated to Law and Justice support). This category also includes one-half of the transfer from the General Fund to the Public Safety Communications Fund for Dispatch and the transfer from the General Fund to Debt Service funds to repay debt borrowed for Criminal Justice purposes. This graph reflects the City's efforts to meet Council's Strategic Priorities; Law Enforcement/Public Safety and Well Being was Council's Highest Priority through most of the 1990's, and is now second only to Economic Development. This is further elaborated in the following table.

**City of Yakima**  
**General Government Budgets\***  
**1995 Through 2005**

	1995	1996	1997	1998	1999	2001	2002	2003	2004	2005	2005	10 Year
	Amended	Amended	Amended	Amended	Amended	Amended	Amended	Amended	Amended	Preliminary	VS	10 Year
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	2004	Increase
General Fund:												
Criminal Justice	\$12,633,745	\$13,143,646	\$15,244,842	\$16,504,899	\$17,462,994	\$17,477,709	\$18,992,948	\$19,702,698	\$20,061,761	\$20,721,950	3.3%	64.0%
All Other	\$13,942,280	\$13,994,789	\$14,505,199	\$15,120,012	\$15,429,647	\$14,914,045	\$15,571,751	\$16,913,032	\$17,476,192	\$17,862,426	2.2%	28.1%
Parks & Recreation	\$3,109,305	\$3,244,288	\$3,295,957	\$3,434,761	\$3,629,742	\$3,456,199	\$3,504,423	\$3,620,410	\$3,832,816	\$3,905,396	1.9%	25.6%
Street/Traffic	\$2,979,278	\$3,323,224	\$3,462,529	\$3,741,754	\$3,936,319	\$4,218,454	\$4,826,542	\$5,192,894	\$4,883,030	\$4,705,035	-3.6%	57.9%
Total	<u>\$32,664,608</u>	<u>\$33,705,947</u>	<u>\$36,508,527</u>	<u>\$38,801,426</u>	<u>\$40,458,702</u>	<u>\$40,066,407</u>	<u>\$42,895,664</u>	<u>\$45,429,034</u>	<u>\$46,253,799</u>	<u>\$47,194,807</u>	<u>2.0%</u>	<u>44.5%</u>

**Consumer Price Index**

	June	June	June	July	June	June	June	June	June	June	10 Year
	1994	1995	1996	1997	1998	2000	2001	2002	2003	2004	Increase
Seattle/Tacoma											
Wage Earners/ Clerical Workers	143.7	148.3	152.6	158.2	162.1	172.8	181.3	184.1	185.7	190.4	32.5%

\*Excludes double budgeted transfers between general government funds.

## **SALARY AND BENEFIT COSTS TO TOTAL BUDGET**

The following chart represents the relationship of the City's salary and benefit costs to total budget for General Government and Other Operating, Intergovernmental, and Enterprise Funds of the City. The City's General Fund cumulatively (all divisions) ranks the highest with 83% of all cost being salary and benefit costs. The Fire Department is 92.19%. Some of the salary costs to total percentages are deceiving. For example, if contractual jail costs are excluded from the Police Department's budget, the percentage is not 82.83%, but approximately 88.42%. Similarly, in the Legal Department and Information Systems, if contracted services were excluded, the percentage of salary costs to total operations would be much higher.

Parks, Streets and Other Operations for the most part are more capital-intensive, and the ratio of salary and benefits to total costs are representative of that type of operation. Overall, City salary and benefit costs to General Government and Operating Fund budgets represent 56.08% of the total operating costs.

Page two of this analysis is based on information gathered by the State Auditor's Office. It identifies the per capita salary costs. This analysis indicates that the City of Yakima spends, on the average, \$125 less per capita on salaries than other comparable cities. Yakima employs fewer people per capita than other cities. To maintain levels of service during periods of peak workload demands, the City uses contract and temporary labor when possible.

**CITY OF YAKIMA**  
**Operating Funds**  
**Salaries and Benefits vs. Total Department/Fund Budget**

<u>General Government</u>	<u>2005 Preliminary Budget</u>	<u>2005 Salaries &amp; Benefits</u>	<u>Percentage</u>
Police	\$15,823,525	\$13,106,303	82.83%
Fire	7,165,728	6,606,371	92.19%
Information Systems	2,378,957	1,346,606	56.60%
Legal	1,344,153	911,800	67.83%
Code Administration	1,314,178	1,096,207	83.41%
Financial Services	1,130,542	1,014,144	89.70%
Engineering	1,044,581	977,306	93.56%
Municipal Court	909,669	742,297	81.60%
Utility Services	905,831	750,906	82.90%
City Manager	586,773	561,405	95.68%
Environmental Planning	478,809	410,016	85.63%
Human Resources	449,493	380,275	84.60%
Probation	411,757	377,376	91.65%
City Hall Maintenance	370,990	183,377	49.43%
Records	286,292	196,070	68.49%
Purchasing	218,631	187,701	85.85%
City Council	163,873	70,067	42.76%
<b>Total General Fund</b>	<b>\$34,983,782</b>	<b>\$28,918,227</b>	<b>82.66%</b>
Parks & Recreation	3,905,396	1,922,377	49.22%
Street & Traffic Operations	4,705,035	2,319,838	49.31%
<b>Total General Government</b>	<b>\$43,594,213</b>	<b>\$33,160,442</b>	<b>76.07%</b>
Community Development	2,414,285	900,082	37.28%
Cable TV	594,446	387,292	65.15%
Cemetery	286,869	178,809	62.33%
Emergency Services	965,628	648,878	67.20%
Public Safety Communications	2,496,944	1,883,543	75.43%
Stormwater Operating	533,079	158,802	29.79%
Transit	5,316,870	2,671,928	50.25%
Refuse	3,540,599	1,171,359	33.08%
Sewer Operating	15,152,879	4,219,333	27.85%
Water Operating	5,981,869	2,117,067	35.39%
Irrigation Operating	2,249,138	561,430	24.96%
Equipment Rental	3,905,592	771,578	19.76%
Public Works Administration	1,045,470	565,725	54.11%
<b>Total Operating Funds</b>	<b>\$88,077,881</b>	<b>\$49,396,268</b>	<b>56.08%</b>

## GRAPHIC PORTRAYAL OF CITY RESOURCE CONSUMPTION

The purpose of this section is to graphically present total City resources by category, and distribute them by function and type of expenditure (object) for the 2005 budget year. This “flow of resources” concept is designed to give the taxpayer a basic understanding of how tax dollars and other revenues are spent in the City. We have eliminated interfund transactions (i.e.: those items that flow out of one fund and into another; we refer to these as double budgeted items) in order to portray only external revenue sources available to the City.

The broad revenue categories are based upon the State of Washington’s mandated accounting structure. A definition of the terms is included below:

**Borrowings** -- Proceeds from long-term debt issued by the City. In 2005 this includes Capital Leases and Potential Local Improvement District (LID) debt issuance.

**Capital Reserves** -- Accumulated fund balances set aside for specific capital projects.

**Charges for Services** -- Fees charged to outside users to cover the cost of providing services (e.g. utility rates, golf course and swimming pool fees, transit fare box revenues).

**Intergovernmental Revenues** -- Revenues received from other governmental agencies (i.e. federal, state, and county). This category includes primarily grants and state-shared revenues (such as gas and liquor tax revenues).

**Operating Reserves** -- Accumulated fund balances in operating funds. Prudent reserves generally are \_\_\_% of annual operating budgets.

**Other** -- All revenue sources which are not included in other categories. This includes primarily investment income, program income, fines and forfeitures, and licenses.

**Taxes** -- Tax assessments are levied for the support of the governmental entity. Sales tax is the largest item in this category. It is followed by property tax, utility and franchise taxes, and various other business taxes.

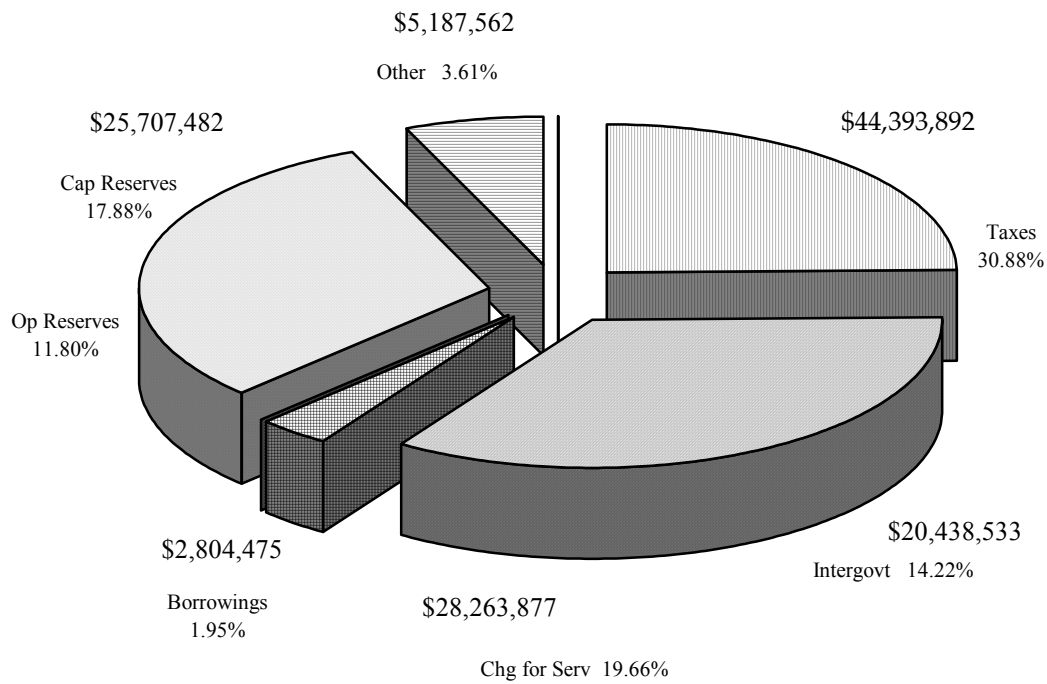
The first graph identifies the total revenue picture. The following seven graphs display how each individual revenue category is applied to City functions. The final revenue graph depicts the relationship of the various revenue sources to each function.

Lastly, included is a graphic by major object (or type) of expenditure, net of double budgeted expenditures.

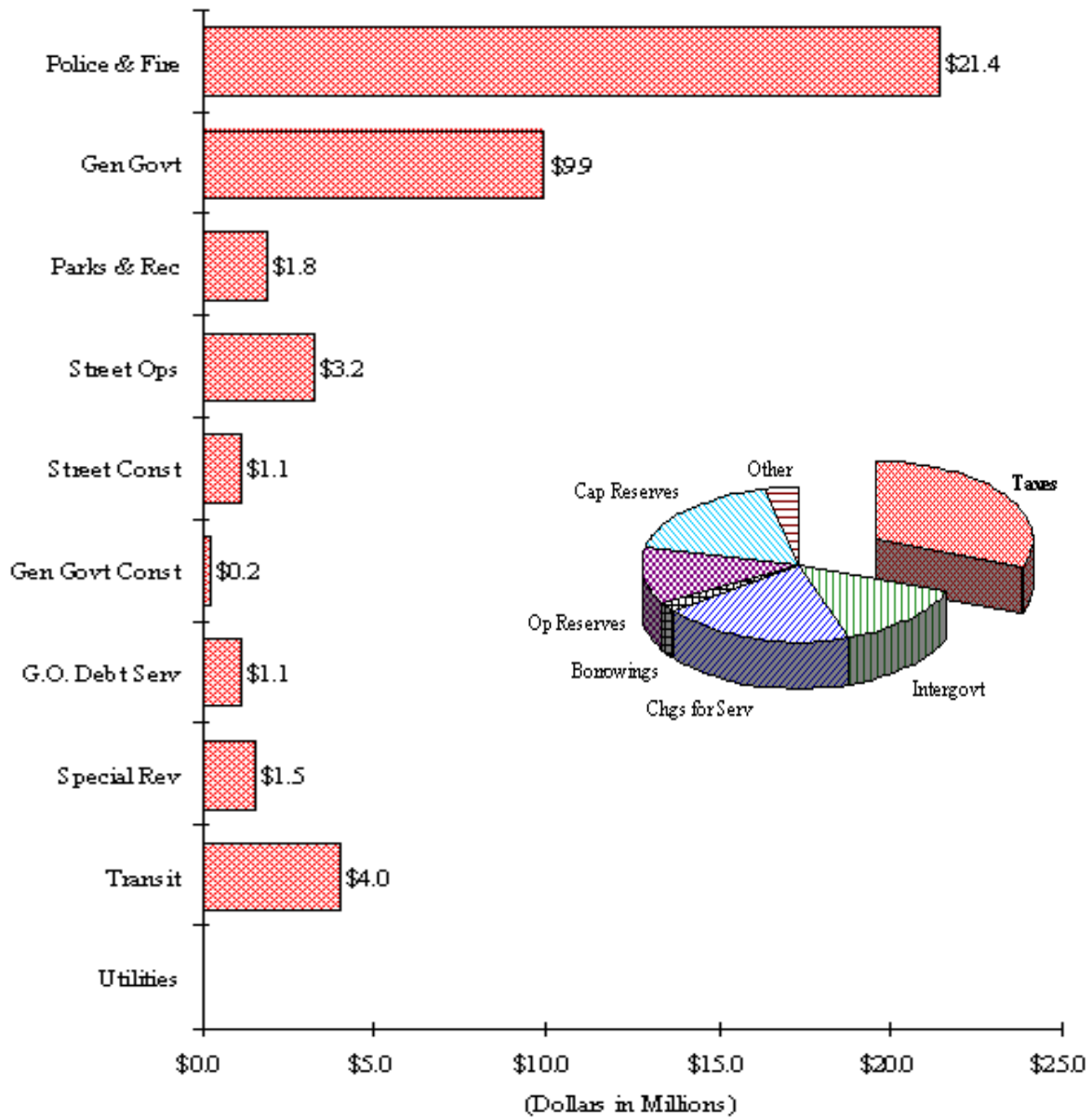
The following graphs specifically identify how much outside revenue is collected and precisely what services it provides, across “fund” lines.

# **City of Yakima** **Total Resources by Category** **2005 Budget**

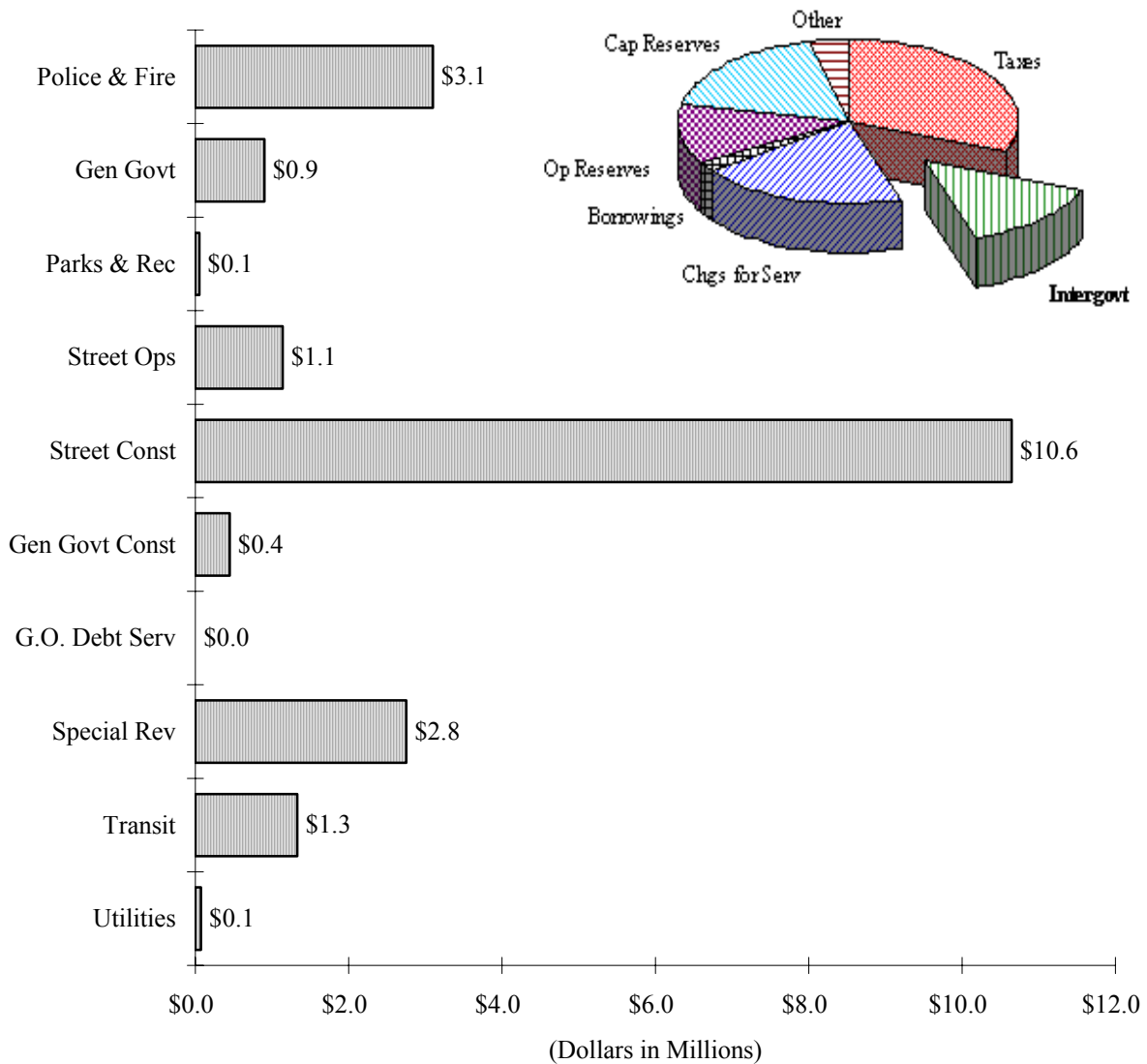
**Total Resources = \$143,754,933**  
 (Excludes Internal Service Funds  
 and other double budgeted  
 resources of \$37,812,808)



**City of Yakima  
Taxes Distributed by Function  
2005 Budget**

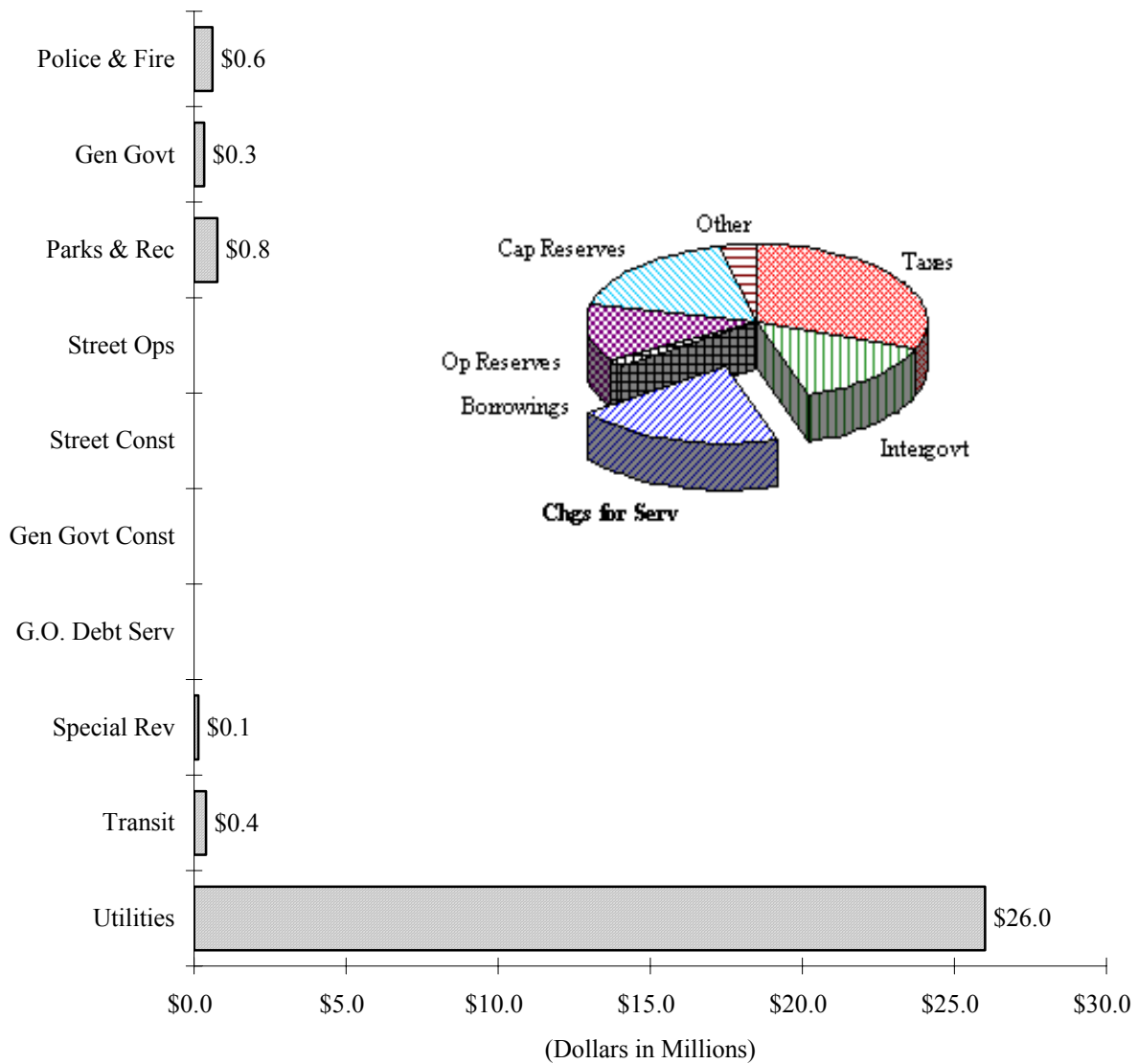


**City of Yakima  
Intergovernmental Revenue  
Distributed by Function  
2005 Budget**

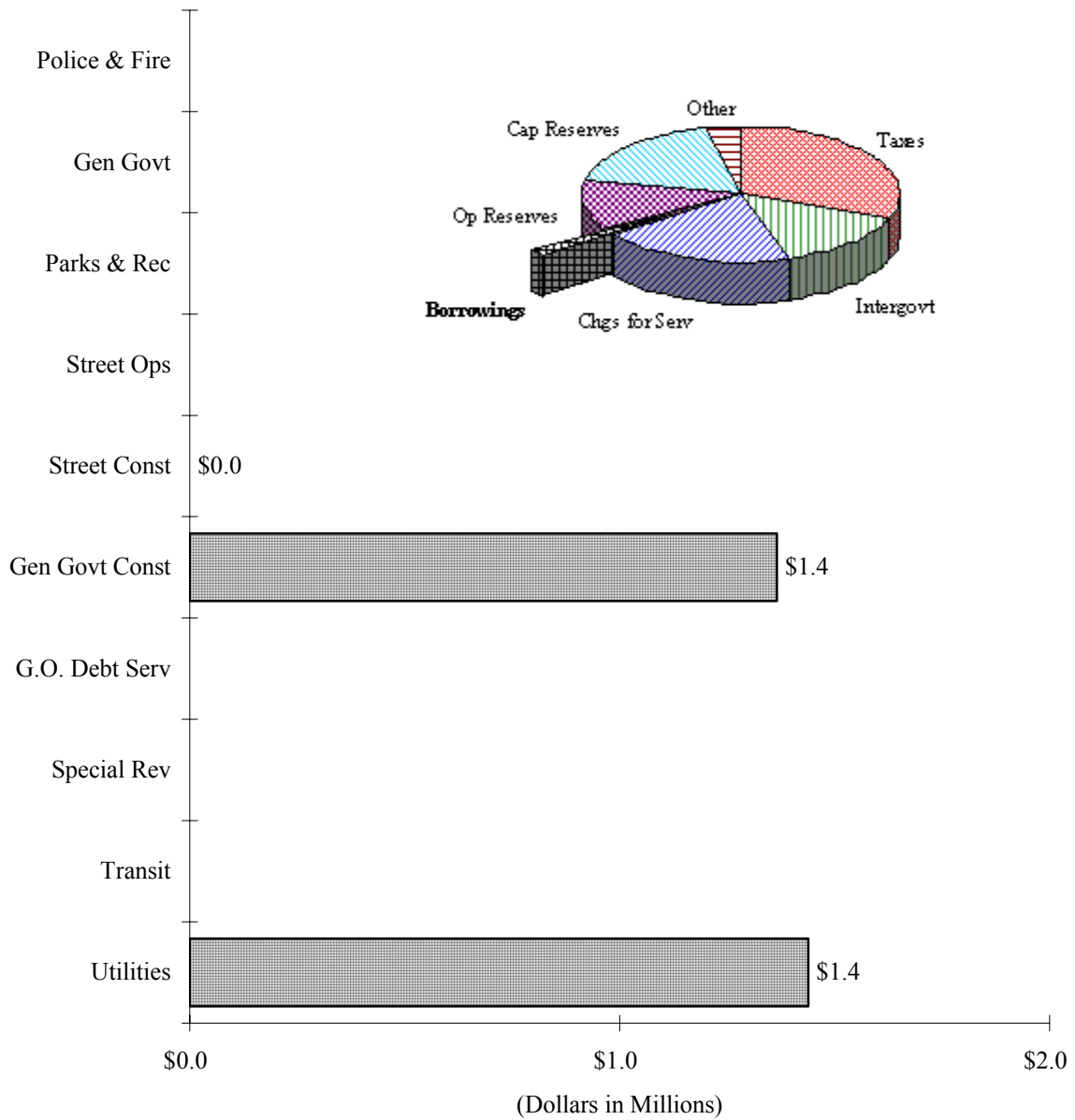




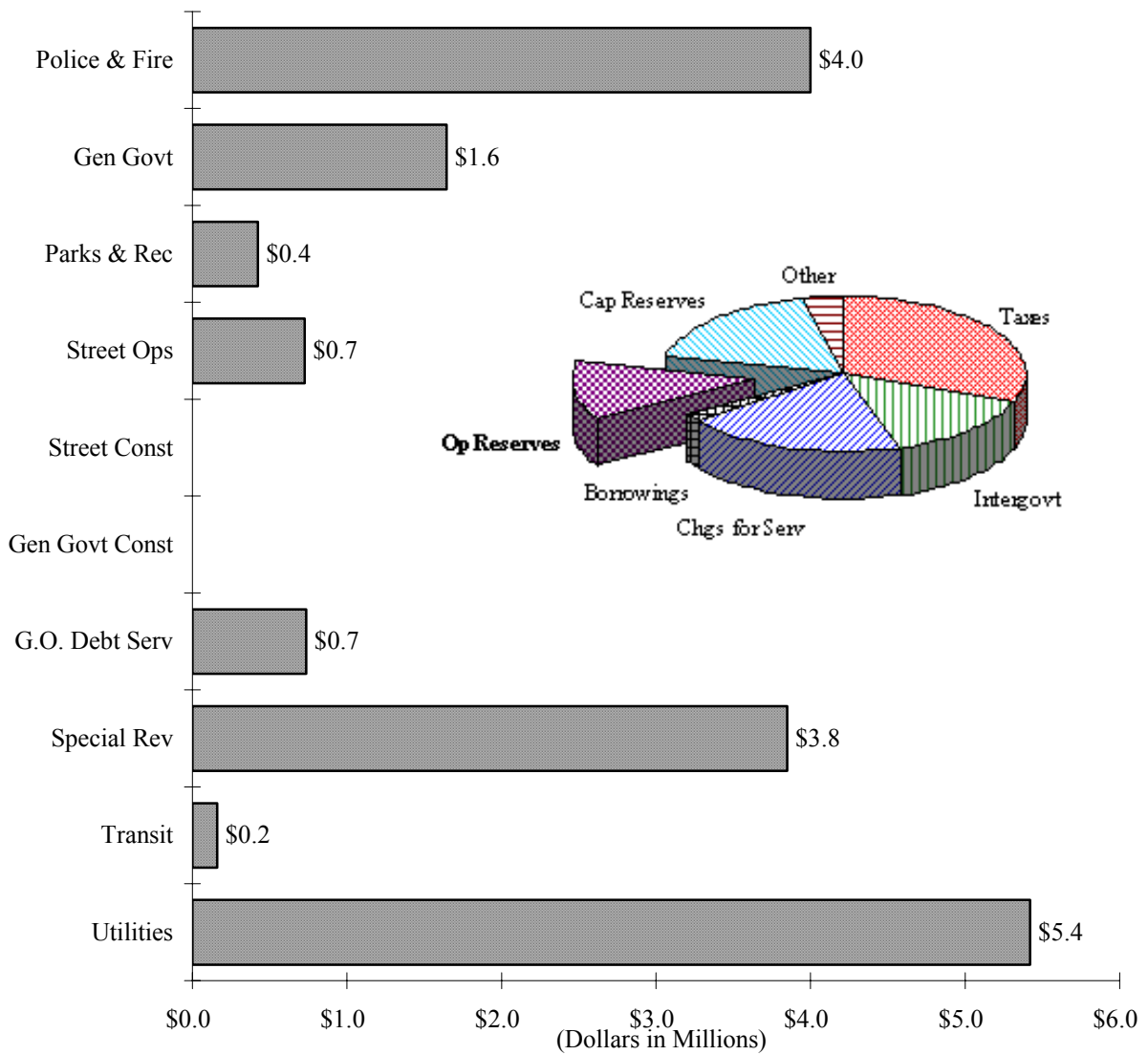
**City of Yakima  
Charges for Services  
Distributed by Function  
2005 Budget**



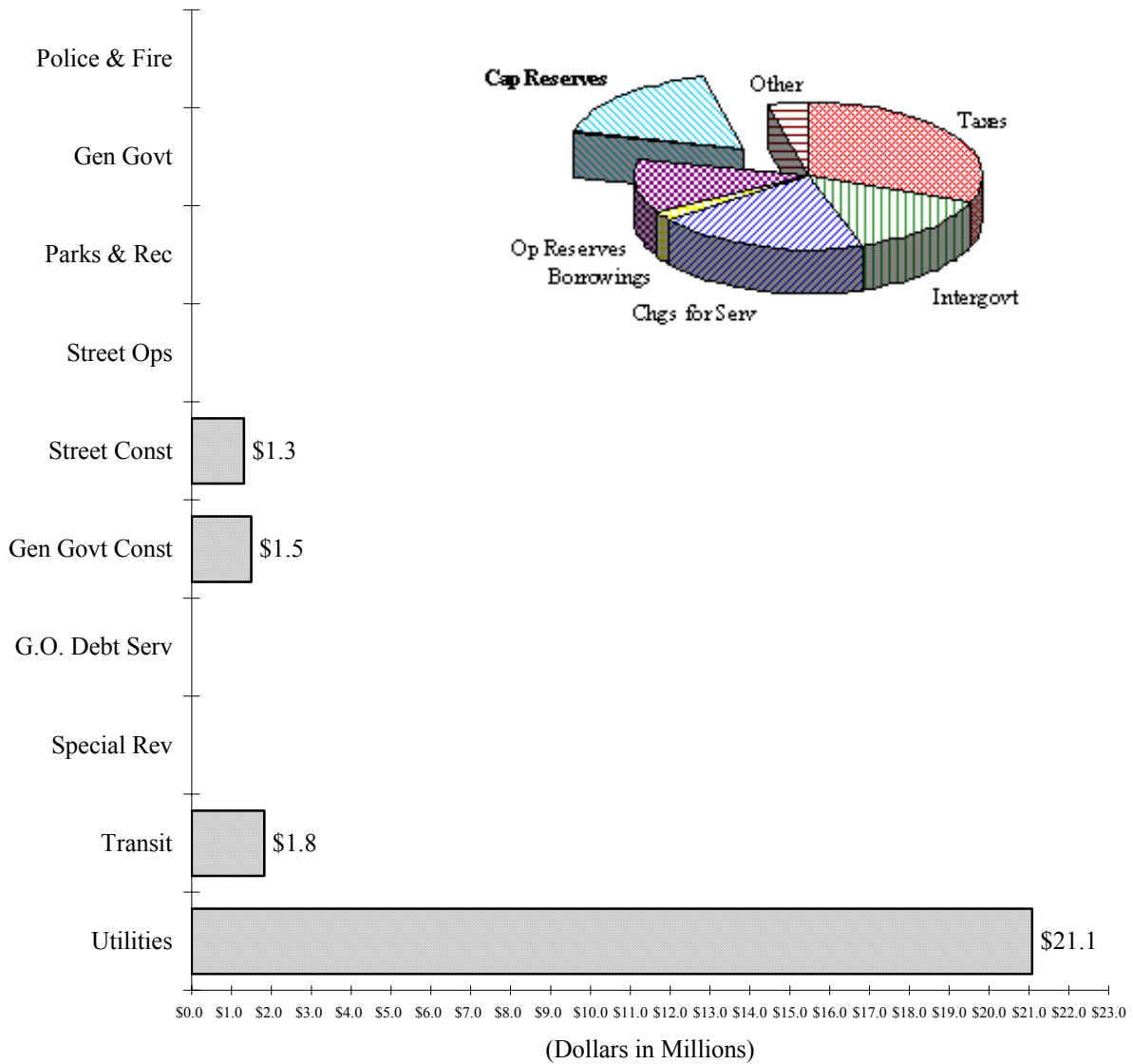
**City of Yakima  
Borrowings  
Distributed by Function  
2005 Budget**



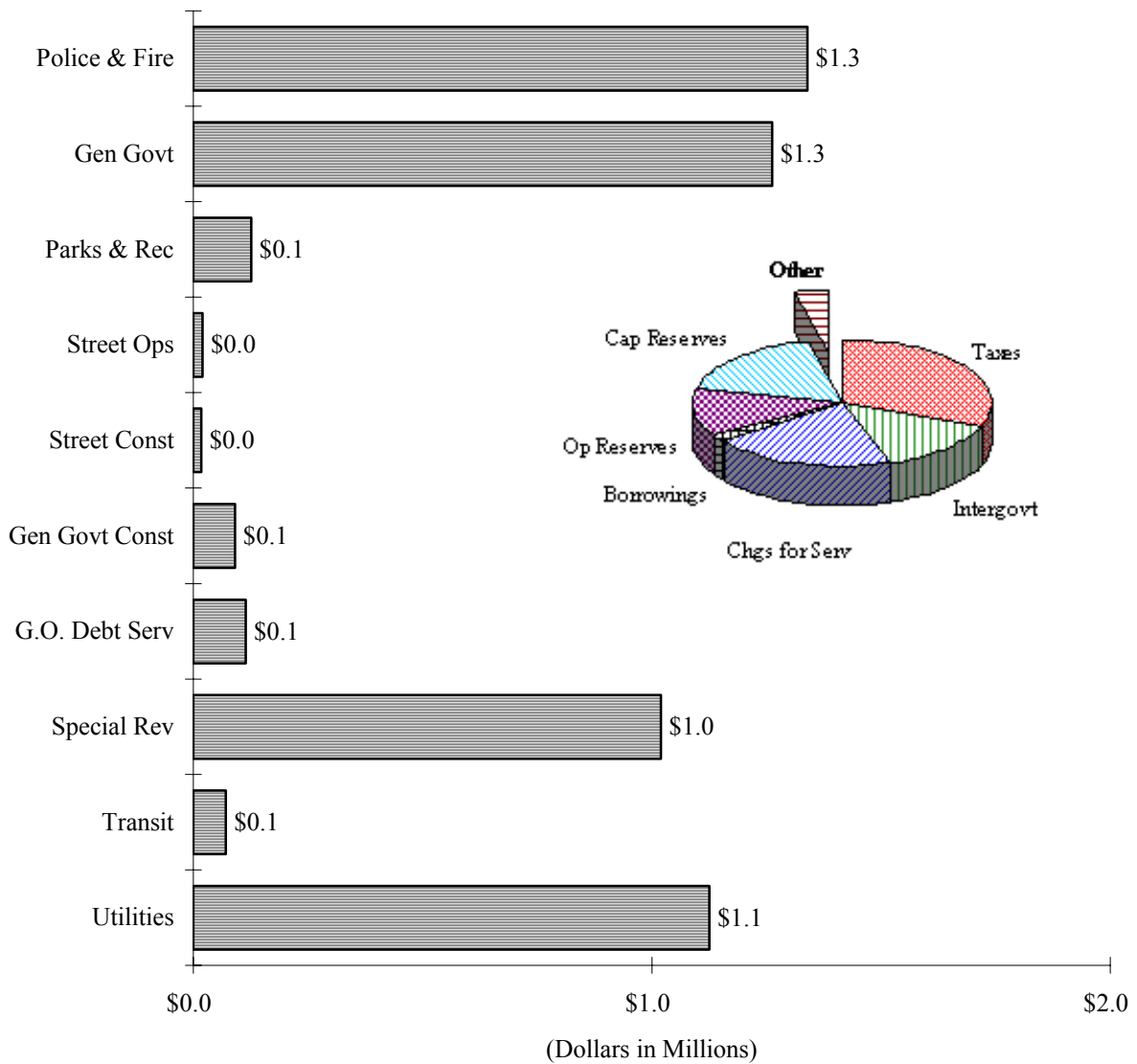
**City of Yakima  
Operating Reserves  
Distributed by Function  
2005 Budget**



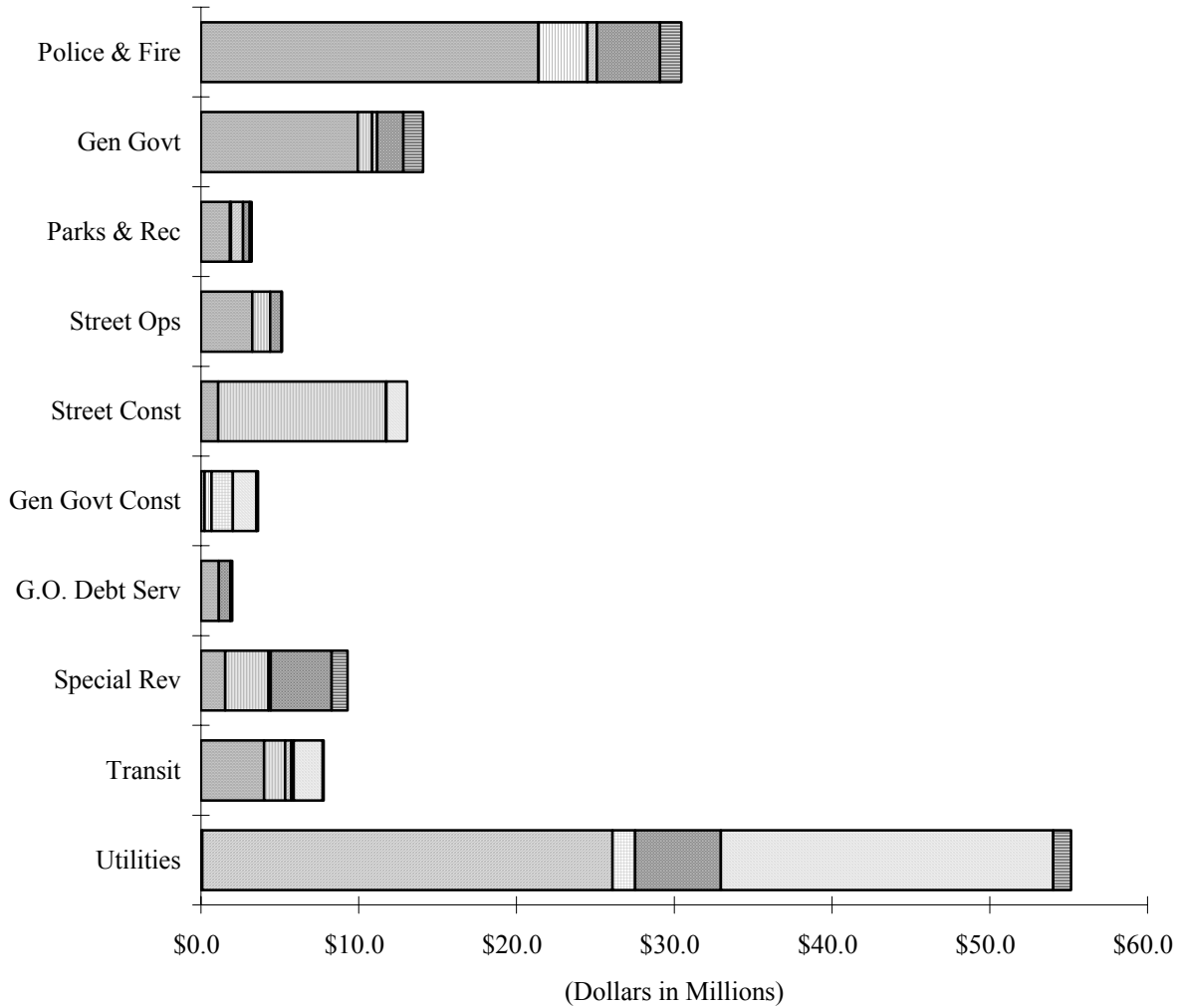
**City of Yakima  
Capital Reserves  
Distributed by Function  
2005 Budget**



**City of Yakima  
Other Resources  
Distributed by Function  
2005 Budget**



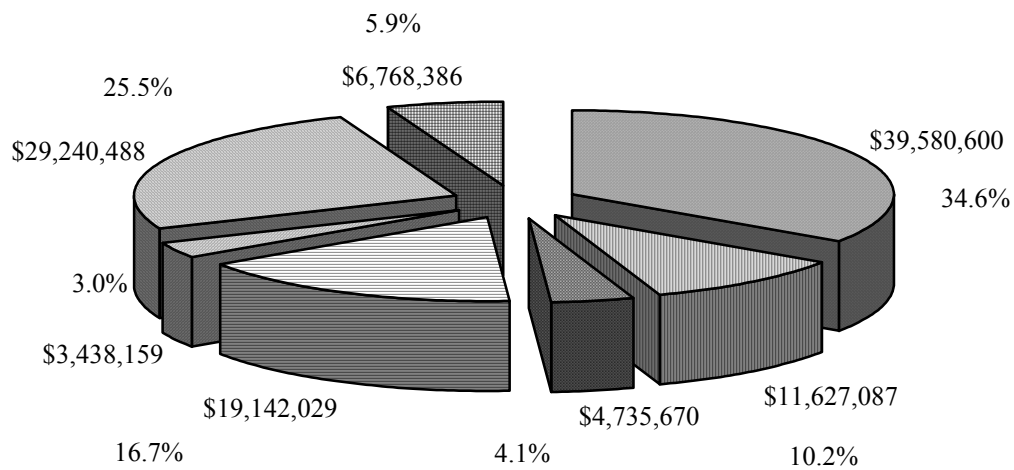
**City of Yakima**  
**Total Resources by Category & Function**  
**2005 Budget**



Taxes
  Intergovt
  Chgs for Serv
  Borrowings
  Op Reserves
  Capital Reserves
  Other

**City of Yakima**  
**Total Expenditures by Object**  
**2005 Budget**

**Total Expenditures = \$114,532,419**  
 (Excludes double budgeted expenditures  
 of \$29,651,393)



Salaries	Benefits	Supplies	Other Services
Intergovt	Capital	Debt Service	